

# PONTOTOC COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2012

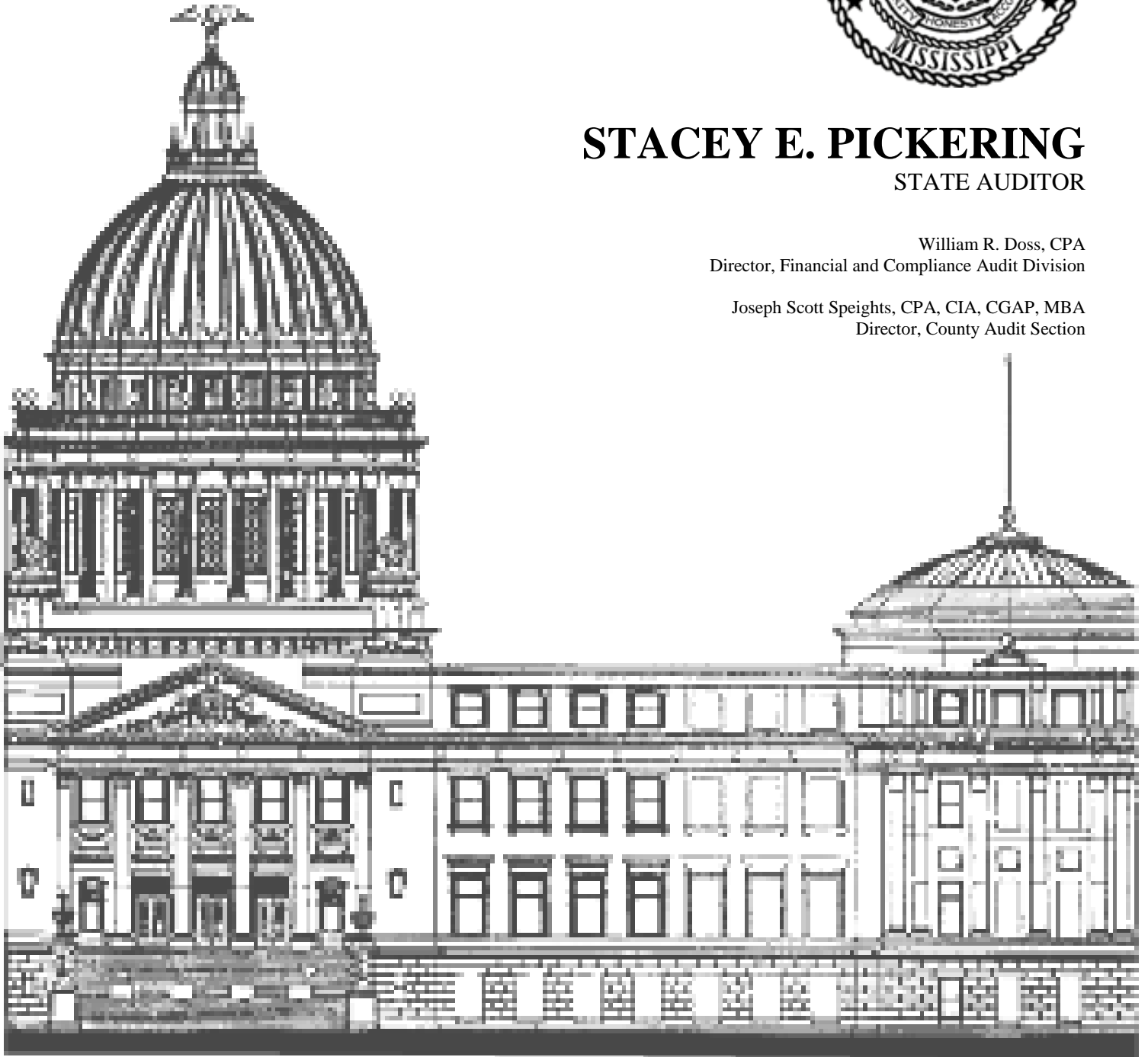


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

January 29, 2015

Members of the Board of Supervisors  
Pontotoc County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Pontotoc County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Pontotoc County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Pontotoc County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



PONTOTOC COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	7
FINANCIAL STATEMENTS .....	19
Statement of Net Assets .....	21
Statement of Activities .....	22
Balance Sheet – Governmental Funds .....	23
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26
Statement Net Assets – Proprietary Fund .....	27
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund .....	28
Statement of Cash Flows – Proprietary Fund .....	29
Statement of Fiduciary Assets and Liabilities.....	30
Notes to Financial Statements.....	31
REQUIRED SUPPLEMENTARY INFORMATION .....	49
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund .....	50
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Road Maintenance Fund .....	52
Notes to the Required Supplementary Information.....	53
SUPPLEMENTAL INFORMATION.....	55
Schedule of Expenditures of Federal Awards .....	56
OTHER INFORMATION .....	59
Schedule of Surety Bonds for County Officials.....	61
SPECIAL REPORTS.....	63
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> .....	65
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	67
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	69
Limited Internal Control and Compliance Review Management Report.....	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	87
AUDITEE’S CORRECTIVE ACTION PLAN .....	103





PONTOTOC COUNTY

FINANCIAL SECTION

PONTOTOC COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Pontotoc County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pontotoc County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the fifth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

As discussed in Note 10, to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities, and the Solid Waste Fund and, accordingly has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and change the expense of the governmental activities, the business-type activities and the Solid Waste Fund. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities, the business-type activities and the Solid Waste Fund is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and Circuit Court and the aging of these fines receivable. Due to the nature of the County records, we were unable to satisfy ourselves as to the fair presentation of Justice Court and Circuit Court fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$179,804, as of September 30, 2012. Also, because of the nature of the Justice Court and Circuit Court fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions in the General Fund.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Pontotoc County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the Solid Waste Fund of Pontotoc County, Mississippi as of September 30, 2012, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of the matter discussed in the fifth paragraph, if any, the financial statements referred to previously present fairly, in all material respects the respective financial position of the General Fund of Pontotoc County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Countywide Road Maintenance Fund, KC Integrated Fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of Pontotoc County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

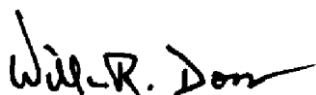
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Pontotoc County, Mississippi, has omitted the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pontotoc County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pontotoc County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 29, 2015

PONTOTOC COUNTY

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PONTOTOC COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

PONTOTOC COUNTY

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**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**INTRODUCTION**

The discussion and analysis of Pontotoc County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Pontotoc County is located in northeast Mississippi on Highways 6 and 15. The population, according to the 2010 census, is 29,957. The local economic base is driven mainly by furniture manufacturing and farming.

**FINANCIAL HIGHLIGHTS**

Pontotoc County is financially stable and has a relative low tax levy. The County has been committed to financial excellence for many years, using sound financial planning, careful budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Pontotoc County continues to grow annually both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government tax rate has increased an average of less than 1% per year over the last 10 years, including school tax increases.

Total net assets decreased from \$69,657,372, in FY 2011 to \$68,943,701, which represents a decrease of 1.02%. The county's cash balance increased from \$4,864,096 in FY 2011 to \$5,638,170, which represents an increase of 15.91%.

The county had \$15,103,830 in total revenues. Property tax revenues account for \$8,477,284 or 56.13% of total revenues. Program specific revenues in the form of charges for services and grants accounted for \$4,839,855 or 32.04% of total revenues.

The county had \$15,817,501 in total expenses which represents an increase of \$124,574 or 0.79% from the prior fiscal year. Expenses in the amount of \$4,839,855 were offset by program specific revenues in the form of charges for services and grants. With general revenues in the amount of \$10,263,975 a net decrease in net assets occurred of \$713,671.

Among major funds, the General Fund had \$7,307,786 in revenues and \$7,468,880 in expenditures. The General Fund's fund balance increased \$300,769 over the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$2,160,973 in revenues and \$296,472 in expenditures. The Countywide Road Maintenance Fund balance increased \$64,501 over the prior year.

Among major funds, the KC Integrated Fund had \$758,628 in revenues and \$1,604,722 in expenditures. The KC Integrated Fund ended the fiscal year with a deficit fund balance of \$48,260.

The Solid Waste Fund had \$1,271,389 in revenues and \$1,177,045 in expenses. The Solid Waste Fund net assets increased by \$94,344 over the prior year.

**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**FINANCIAL HIGHLIGHTS - Continued**

Capital assets, net of accumulated depreciation, decreased by \$2,149,227. This decrease is mainly due to the depreciation of assets.

Total long-term debt decreased by \$262,064.

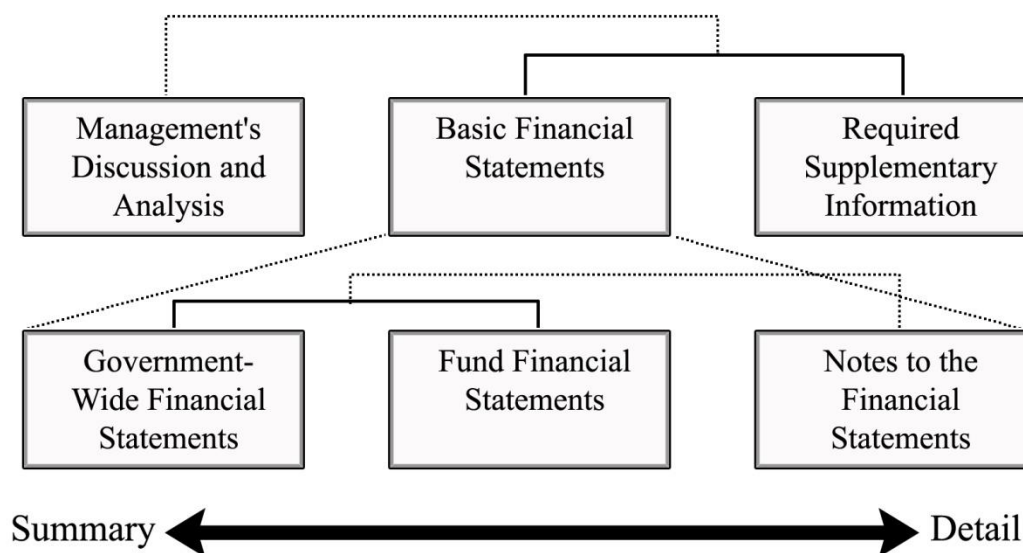
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County’s basic financial statements. The County’s basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County’s financial statements, including the portion of the County’s government they cover and the types of information they contain. The remainder of this section of Management’s Discussion and Analysis explains the structure and content of each of the statements.

**Figure 1 – Required Components of the County's Annual Report**



**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**OVERVIEW OF THE FINANCIAL STATEMENTS - continued**

**Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements**

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**OVERVIEW OF THE FINANCIAL STATEMENTS – Continued**

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt. The business-type activity of the County is the Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 21 and 22 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 26, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 23 and 25 of this report.

**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**OVERVIEW OF THE FINANCIAL STATEMENTS – Continued**

**Proprietary fund** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

Fund financial statements for the proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary fund financial statements can be found on pages 27 through 29 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary assets and liabilities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 30 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 31 through 47 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 51 through 53 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on pages 56 and 57 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets** – Net assets may serve over time as a useful indicator of government's financial position. In the case of Pontotoc County, assets exceeded liabilities by \$ 68,943,701 as of September 30, 2012.

By far, the largest portion of the County's net assets, 90.91%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and improvements other than buildings) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

The following table presents a summary of the County's net assets at September 30, 2012 and September 30, 2011.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 12,421,457	13,466,869	514,328	329,305	12,935,785	13,796,174
Non-current assets	10,663,808	9,704,767			10,663,808	9,704,767
Capital assets, net	68,923,144	70,992,883	226,273	305,761	69,149,417	71,298,644
Total assets	<u>92,008,409</u>	<u>94,164,519</u>	<u>740,601</u>	<u>635,066</u>	<u>92,749,010</u>	<u>94,799,585</u>
Current liabilities	8,090,026	9,176,057	171,546	160,355	8,261,572	9,336,412
Long-term debt	15,543,737	15,805,801			15,543,737	15,805,801
Total liabilities	<u>23,633,763</u>	<u>24,981,858</u>	<u>171,546</u>	<u>160,355</u>	<u>23,805,309</u>	<u>25,142,213</u>
Net assets:						
Invested in capital assets, net of related debt	62,450,702	63,911,087	226,273	305,761	62,676,975	64,216,848
Restricted	3,074,941	2,512,831	342,782	168,950	3,417,723	2,681,781
Nonexpendable		64,620				64,620
Unrestricted	<u>2,849,003</u>	<u>2,694,123</u>			<u>2,849,003</u>	<u>2,694,123</u>
Total net assets	<u>\$ 68,374,646</u>	<u>69,182,661</u>	<u>569,055</u>	<u>474,711</u>	<u>68,943,701</u>	<u>69,657,372</u>

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$10.00 per household. This business-type activity also furnishes various size dumpsters, varying collection schedules, and disposal of garbage at varying rates. This business-type activity generated \$1,265,297 in charges for services for the proprietary fund for the year ended September 30, 2012.

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- The County completed construction on two new bridges and acquired land for economic development \$1,090,057, also made capital improvement to roads and acquired equipment for \$577,911 during fiscal year 2012.
- Current year depreciation was \$3,624,597.
- The County issued \$1,290,572 of debt for equipment and economic development during the fiscal year.
- The County made \$1,547,801 in scheduled debt payments.
- The Ad Valorem Tax Fee-In-Lieu receivable decreased by \$382,105 due to receipt of first payment and adjustment to estimated present value.
- The County entered into a capital lease receivable agreement for economic development in the amount of \$1,437,282.

**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

**Changes in Net Assets** – Pontotoc County's total revenues for the fiscal year ended September 30, 2012 were \$15,103,830. The total cost for all services provided was \$15,817,501. The decrease in net assets was \$713,671. The following table presents a summary of the changes in net assets for each of the fiscal years ended September 30, 2012 and September 30, 2011.

	2012	2011	Percent Change
Revenues:			
Program revenues			
Charges for services	\$ 2,430,089	2,539,331	-4.30%
Operating grants and contributions	1,045,472	1,777,383	-41.18%
Capital grants and contributions	1,364,294	949,358	43.71%
General revenues			
Property taxes	8,477,284	8,276,871	2.42%
Road and bridge privilege taxes	357,502	351,736	1.64%
Ad Valorem tax fee-in-lieu revenue	449,395	394,515	13.91%
Grants and contributions not restricted to specific programs	620,286	587,250	5.63%
Interest	25,737	45,323	-43.21%
Other	333,771	73,947	351.37%
Total revenues	\$ 15,103,830	14,995,714	0.72%
Expenses:			
General government	\$ 3,891,189	3,779,029	2.97%
Public safety	3,472,470	3,082,654	12.65%
Public works	5,439,024	5,958,174	-8.71%
Health and welfare	300,246	262,676	14.30%
Culture and recreation	509,095	408,710	24.56%
Conservation of natural resources	112,164	122,796	-8.66%
Economic development	191,525	133,079	43.92%
Interest on long-term debt	724,743	782,162	-7.34%
Solid waste	1,177,045	1,163,647	1.15%
Total expenses	\$ 15,817,501	15,692,927	0.79%
Decrease in net assets	\$ (713,671)	(697,213)	2.36%

**Governmental Activities** – The following table presents the cost of nine major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development, Interest on Long-term Debt and Solid Waste.

**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Pontotoc County's taxpayers by each of these activities.

	2012	2012	2011	2011
	Total	Net (Expense)	Total	Net (Expense)
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
General government	\$ 3,891,189	(3,228,776)	3,779,029	(2,942,421)
Public safety	3,472,470	(2,756,403)	3,082,654	(1,993,968)
Public works	5,439,024	(4,183,916)	5,958,174	(3,931,652)
Health and welfare	300,246	(270,904)	262,676	(223,414)
Culture and recreation	509,095	(509,095)	408,710	(408,710)
Conservation of natural resources	112,164	(112,164)	122,796	(122,796)
Economic development	191,525	720,103	133,079	(72,685)
Interest on long-term debt	724,743	(724,743)	782,162	(782,162)
Solid waste	<u>1,177,045</u>	<u>88,252</u>	<u>1,163,647</u>	<u>50,953</u>
Totals	\$ <u>15,817,501</u>	<u>(10,977,646)</u>	<u>15,692,927</u>	<u>(10,426,855)</u>

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental funds** – At the close of the fiscal year, Pontotoc County's governmental funds reported a combined fund balance of \$4,611,775, an increase of \$475,495. The primary reasons for this increase, is that all departments did an outstanding job of managing their budgets in these economic times.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$300,769. The primary reasons for this increase, is that all departments did an outstanding job of managing their budgets in these economic times.

**Business-type funds** – Revenue from the County's Solid Waste Fund increased by 4.19% to \$1,271,389 and expenses increased by 1.15% to \$1,177,045.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Pontotoc County revised its annual operating budget on two occasions. Significant budget amendments are explained as follows:

- Budgeted revenue from loan proceeds and interfund transfers.
- Final budget to actual as required by state law.



**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**BUDGETARY HIGHLIGHTS - Continued**

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and Countywide Road Maintenance Fund is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – As of September 30, 2012, Pontotoc County's total gross capital assets, excluding depreciation, were \$104,608,986. This includes land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital lease, and improvements other than buildings. This amount represents an increase from the previous year of \$1,422,288. The majority of this increase is due to completing two bridge projects, a land improvement project and the purchase of equipment.

Total accumulated depreciation as of September 30, 2012 was \$35,459,569, including \$3,624,597 depreciation expense for the year. The balance in total net capital assets was \$69,149,417 at year-end.

Additional information on Pontotoc County's capital assets can be found in Note 6 on pages 40 and 41 of this report.

**Debt Administration** – At September 30, 2012, Pontotoc County had \$15,543,737 in long-term debt outstanding. This is a decrease over prior year of \$262,064 that is due to debt issues totaling \$1,290,572 for economic development, capital leases, and \$1,547,801 in normal debt payments. Of this debt, \$1,600,697 is due within one year.

Additional information on Pontotoc County's long-term debt can be found in Note 11 on pages 44 and 45 of this report.

**CURRENT AND FUTURE ITEMS OF IMPACT**

Pontotoc County is planning some major capital projects, such as more economic development throughout our county with great expectations of a major Toyota Tier I supplier locating in our new industrial park. Also, some major road and bridge projects are planned with State Aid Road funds.

Pontotoc County along with the City of Pontotoc is looking for additional jobs to be created with the expansion of Southern Motion and the opening of Washington Manufacturing.

There are currently plenty of jobs available in the manufacturing area with some employers expanding and planning future expansions. We have experienced resurgence, as many of our manufacturing buildings have either been purchased outright or leased and have created many new jobs. Pontotoc County historically grants ten-year tax exemptions to new industries and expansions to encourage industrial development and growth. The county also has a policy for granting Freeport Warehouse tax exemptions to encourage manufacturers to choose Pontotoc County as a major distribution point. All industrial growth provides new jobs and an increase in the assessed value of the county and despite any kind of tax exemptions granted to industries none are exempt from paying school tax.

**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTMEBER 30, 2012**

**UNAUDITED**

**CURRENT AND FUTURE ITEMS OF IMPACT - Continued**

There are currently several ten-year tax exemptions in place for different manufacturers and each year some of these mature and they begin paying tax, which brings in more revenue for the county.

Pontotoc County has a relatively low unemployment rate, which compares favorably with the state average rate. However, because of the failing economy unemployment has grown.

Pontotoc County has pledged \$ 100,000 per year for ten years to a Community College Tuition Assistance Program in an effort to see that any child graduating from high school in Pontotoc County can attend Itawamba Community College for further education.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact Gary Moorman, Pontotoc County Chancery Clerk's office at P. O. Box 209, Pontotoc, Mississippi, 38863, Phone 662-489-3900.

PONTOTOC COUNTY

FINANCIAL STATEMENTS

PONTOTOC COUNTY

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PONTOTOC COUNTY  
Statement of Net Assets  
September 30, 2012

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 5,265,959	372,211	5,638,170
Property tax receivable	6,112,909		6,112,909
Accounts receivable (net of allowance for uncollectibles of \$857,194)		92,526	92,526
Fines receivable (net of allowance for uncollectibles of \$1,450,201)	179,804		179,804
Capital leases receivable	1,961,580		1,961,580
Intergovernmental receivables	699,854	2,847	702,701
Other receivables	117,415	92,260	209,675
Internal balances	45,516	(45,516)	
Ad valorem tax fee in-lieu receivable, net	8,279,500		8,279,500
Deferred charges - bond issuance costs	422,728		422,728
Capital assets:			
Land and construction in progress	2,089,171		2,089,171
Other capital assets, net	66,833,973	226,273	67,060,246
Total Assets	<u>92,008,409</u>	<u>740,601</u>	<u>92,749,010</u>
<b>LIABILITIES</b>			
Claims payable	793,373	79,135	872,508
Intergovernmental payables	338,096		338,096
Accrued interest payable	144,279		144,279
Deferred revenue	6,538,177		6,538,177
Unearned revenue		92,411	92,411
Amounts held in custody for others	276,101		276,101
Long-term liabilities			
Due within one year:			
Capital debt	1,111,593		1,111,593
Non-capital debt	489,104		489,104
Due in more than one year:			
Capital debt	5,360,849		5,360,849
Non-capital debt	8,582,191		8,582,191
Total Liabilities	<u>23,633,763</u>	<u>171,546</u>	<u>23,805,309</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	62,450,702	226,273	62,676,975
Restricted:			
Expendable:			
Debt service	39,792		39,792
Public safety	645,448		645,448
Public works	1,695,470	342,782	2,038,252
Culture and recreation	63,692		63,692
Economic development and assistance	630,539		630,539
Unrestricted	2,849,003		2,849,003
Total Net Assets	<u>\$ 68,374,646</u>	<u>569,055</u>	<u>68,943,701</u>

The notes to the financial statements are an integral part of this statement.

PONTOTOC COUNTY  
Statement of Activities  
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,891,189	635,150	27,263		(3,228,776)		(3,228,776)
Public safety	3,472,470	526,795	189,272		(2,756,403)		(2,756,403)
Public works	5,439,024	2,847	796,595	455,666	(4,183,916)		(4,183,916)
Health and welfare	300,246		29,342		(270,904)		(270,904)
Culture and recreation	509,095				(509,095)		(509,095)
Conservation of natural resources	112,164				(112,164)		(112,164)
Economic development and assistance	191,525		3,000	908,628	720,103		720,103
Interest on long-term debt	724,743				(724,743)		(724,743)
Total Governmental Activities	<u>14,640,456</u>	<u>1,164,792</u>	<u>1,045,472</u>	<u>1,364,294</u>	<u>(11,065,898)</u>		<u>(11,065,898)</u>
Business-type activities:							
Solid Waste	1,177,045	1,265,297				88,252	88,252
Total Business-type Activities	<u>1,177,045</u>	<u>1,265,297</u>	<u>0</u>	<u>0</u>		<u>88,252</u>	<u>88,252</u>
Total Primary Government	<u>\$ 15,817,501</u>	<u>2,430,089</u>	<u>1,045,472</u>	<u>1,364,294</u>	<u>(11,065,898)</u>	<u>88,252</u>	<u>(10,977,646)</u>
General revenues:							
Property taxes					\$ 8,477,284		8,477,284
Road & bridge privilege taxes					357,502		357,502
Grants and contributions not restricted to specific programs					620,286		620,286
Ad valorem tax fee-in-lieu revenue					449,395		449,395
Unrestricted interest income					25,566	171	25,737
Miscellaneous					298,748	5,921	304,669
Gain on sale of capital assets					29,102		29,102
Total General Revenues					<u>10,257,883</u>	<u>6,092</u>	<u>10,263,975</u>
Changes in Net Assets					(808,015)	94,344	(713,671)
Net Assets - Beginning					<u>69,182,661</u>	<u>474,711</u>	<u>69,657,372</u>
Net Assets - Ending					<u>\$ 68,374,646</u>	<u>569,055</u>	<u>68,943,701</u>

The notes to the financial statements are an integral part of this statement.

PONTOTOC COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2012

Exhibit 3

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>KC Integrated Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 2,265,492	263,289	143,276	2,593,902	5,265,959
Property tax receivable	3,637,659	1,167,000		1,308,250	6,112,909
Fines receivable (net of allowance for uncollectibles of \$1,450,201)	179,804				179,804
Capital lease receivable			1,437,282	524,298	1,961,580
Intergovernmental receivables	330,217	24,452	167,323	177,862	699,854
Other receivables	13,450			45,657	59,107
Due from other funds	76,488	65,201		189,976	331,665
Advances to other funds	80,884			6,884	87,768
Total Assets	<u>\$ 6,583,994</u>	<u>1,519,942</u>	<u>1,747,881</u>	<u>4,846,829</u>	<u>14,698,646</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Claims payable	\$ 207,621	49,717	165,311	370,724	793,373
Intergovernmental payables	319,358	18,738			338,096
Due to other funds	73,577		193,548	41,600	308,725
Advances from other funds				6,884	6,884
Deferred revenue	3,926,862	1,167,000	1,437,282	1,832,548	8,363,692
Amounts held in custody for others	276,101				276,101
Total Liabilities	<u>4,803,519</u>	<u>1,235,455</u>	<u>1,796,141</u>	<u>2,251,756</u>	<u>10,086,871</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Advances	80,884				80,884
<b>Restricted for:</b>					
Public safety				658,766	658,766
Public works		284,487		1,410,983	1,695,470
Culture and recreation				63,692	63,692
Economic development and assistance				303,381	303,381
Debt service				158,251	158,251
Unassigned	1,699,591		(48,260)		1,651,331
Total Fund Balances	<u>1,780,475</u>	<u>284,487</u>	<u>(48,260)</u>	<u>2,595,073</u>	<u>4,611,775</u>
Total Liabilities and Fund Balances	<u>\$ 6,583,994</u>	<u>1,519,942</u>	<u>1,747,881</u>	<u>4,846,829</u>	<u>14,698,646</u>

The notes to the financial statements are an integral part of this statement.

## PONTOTOC COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,611,775
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$34,661,083.	68,923,144
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivables	179,804
Intergovernmental receivables - TVA in lieu of tax	109,399
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,543,737)
Ad valorem tax fee-in-lieu	8,279,500
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(144,279)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,536,312
Deferred charges - bond issuance costs	<u>422,728</u>
Total Net Assets - Governmental Activities	\$ <u><u>68,374,646</u></u>

The notes to the financial statements are an integral part of this statement.



## PONTOTOC COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2012

	Major Funds			Other	Total
	General	Countywide	KC Integrated	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 5,141,779	1,609,584		1,725,921	8,477,284
Road and bridge privilege taxes				357,502	357,502
Licenses, commissions and other revenue	336,174			7,009	343,183
Fines and forfeitures	464,171				464,171
In lieu tax - Toyota				831,500	831,500
Intergovernmental revenues	982,613	551,068	758,628	734,358	3,026,667
Charges for services	99,360			392,758	492,118
Interest income	2,230	192		23,144	25,566
Miscellaneous revenues	281,459	129		17,160	298,748
Total Revenues	7,307,786	2,160,973	758,628	4,089,352	14,316,739
EXPENDITURES					
Current:					
General government	3,421,693				3,421,693
Public safety	2,411,348			589,664	3,001,012
Public works	14,117	296,472		3,122,605	3,433,194
Health and welfare	300,246				300,246
Culture and recreation	262,751			184,287	447,038
Conservation of natural resources	112,164				112,164
Economic development and assistance	382,045		1,560,645	396,999	2,339,689
Debt service:					
Principal	497,437		28,368	1,021,996	1,547,801
Interest	67,079		15,709	661,782	744,570
Total Expenditures	7,468,880	296,472	1,604,722	5,977,333	15,347,407
Excess of Revenues over (under) Expenditures	(161,094)	1,864,501	(846,094)	(1,887,981)	(1,030,668)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	324,763			167,975	492,738
Long-term noncapital debt issued			797,834		797,834
Proceeds from sale of capital assets	137,100			35,000	172,100
Transfers in		50,000		3,056,294	3,106,294
Transfers out		(1,850,000)		(1,256,294)	(3,106,294)
Lease principal payments				43,491	43,491
Total Other Financing Sources and Uses	461,863	(1,800,000)	797,834	2,046,466	1,506,163
Net Changes in Fund Balances	300,769	64,501	(48,260)	158,485	475,495
Fund Balances - Beginning	1,479,706	219,986		2,436,588	4,136,280
Fund Balances - Ending	\$ 1,780,475	284,487	(48,260)	2,595,073	4,611,775

The notes to the financial statements are an integral part of this statement.

## PONTOTOC COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 475,495
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$3,545,109 exceeded capital outlays of \$2,833,136 in the current period.	(711,973)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$87,666, the principal portion of \$1,098,000 for the new capital lease receivable and the proceeds from the sale of \$172,100 in the current period.	(1,357,766)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(134,680)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
T.V.A. in lieu of tax	3,385
Ad valorem tax fee-in-lieu	(382,105)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,547,801 exceeded debt proceeds of \$1,290,572.	257,229
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Accrued interest	14,992
Amortization of bond issuance costs	(31,936)
Amortization of premium on bond	17,124
Amortization of discount on bond	(12,289)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(43,491)
In the Statement of Activities, capital leases are reported differently from the governmental funds. The revenue from the principal portion of the new capital lease receivable is deferred under the modified accrual basis, but is recognized under the full basis of accounting.	<u>1,098,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (808,015)</u>

The notes to the financial statements are an integral part of this statement.

PONTOTOC COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2012

Exhibit 5

	<u>Business-type Activities- Enterprise Fund</u>
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 372,211
Accounts receivable (net of allowance for uncollectibles of \$857,194)	92,526
Intergovernmental receivables	2,847
Other receivables	92,260
Total Current Assets	<u>559,844</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	<u>226,273</u>
Total Noncurrent Assets	<u>226,273</u>
Total Assets	<u>786,117</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	79,135
Due to other funds	22,940
Advances from other funds	22,576
Unearned revenue	92,411
Total Liabilities	<u>217,062</u>
<b>NET ASSETS</b>	
Invested in capital assets	226,273
Restricted for:	
Public works	342,782
Total Net Assets	<u>\$ 569,055</u>

The notes to the financial statements are an integral part of this statement.

## PONTOTOC COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2012

	Business-type Activities- Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 1,265,297
Total Operating Revenues	<u>1,265,297</u>
Operating Expenses	
Personal services	575,181
Contractual services	275,168
Materials and supplies	224,268
Depreciation expense	79,488
Indirect administrative cost	22,940
Total Operating Expenses	<u>1,177,045</u>
Operating Income (Loss)	<u>88,252</u>
Nonoperating Revenues (Expenses)	
Interest income	171
Other income (expenses)	5,921
Net Nonoperating Revenue (Expenses)	<u>6,092</u>
Net Income (Loss)	94,344
Net Assets - Beginning	<u>474,711</u>
Net Assets - Ending	<u>\$ 569,055</u>

The notes to the financial statements are an integral part of this statement.

PONTOTOC COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2012

Exhibit 7

	Business-type Activities- Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,266,330
Payments to suppliers	(488,873)
Payments to employees	(575,181)
Payments to General Fund for indirect costs	(64,620)
Net Cash Provided (Used) by Operating Activities	137,656
Cash Flows From Noncapital Financing Activities	
Other receipts	6,174
Net Cash Provided (Used) by Noncapital Financing Activities	6,174
Cash Flows From Investing Activities	
Interest on deposits	171
Net Cash Provided (Used) by Investing Activities	171
Net Increase (Decrease) in Cash and Cash Equivalents	144,001
Cash and Cash Equivalents at Beginning of Year	228,210
Cash and Cash Equivalents at End of Year	\$ 372,211
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 88,252
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	79,488
Provision for uncollectible accounts	51,917
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(249)
(Increase) decrease in accounts receivable	(50,005)
(Increase) decrease in other receivables	(1,258)
Increase (decrease) in claims payable	10,563
Increase (decrease) in unearned revenue	628
Increase (decrease) in interfund payables	(41,680)
Total Adjustments	49,404
Net Cash Provided (Used) by Operating Activities	\$ 137,656

The notes to the financial statements are an integral part of this statement.

PONTOTOC COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2012

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 767,116
Accrued interest receivable	
Intergovernmental receivables	<u>5,487</u>
Due from other funds	
Other receivables	
Total Assets	\$ <u><u>772,603</u></u>
LIABILITIES	
Other liabilities	\$ 35,044
Intergovernmental payables	41,699
Due to other entities	637,552
Advances from other funds	<u>58,308</u>
Total Liabilities	\$ <u><u>772,603</u></u>

The notes to the financial statements are an integral part of this statement.

## PONTOTOC COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Pontotoc County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Pontotoc County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Pontotoc Airport Commission
- Hurricane Volunteer Fire Department

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities-and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

## PONTOTOC COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The County's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

KC Integrated Fund - This fund is a capital project fund used to account for CDBG and ARC grant monies and a loan for a specific economic development project. The funds were used to construct an access road and to purchase a building.

The County reports the following major Enterprise Fund:



## PONTOTOC COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### E. Use of Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

# PONTOTOC COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

### G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

### H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Fund. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

## PONTOTOC COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

#### K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

## PONTOTOC COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee benefits. No liability for compensated absences is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

#### (2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$6,405,286, and the bank balance was \$6,694,885. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

# PONTOTOC COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) **Interfund Transactions and Balances.**

The following is a summary of interfund balances at September 30, 2012:

**A. Due From/To Other Funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 22,940
General Fund	KC Integrated Fund	53,548
Countywide Road Maintenance Fund	General Fund	23,601
Countywide Road Maintenance Fund	Other Governmental Funds	41,600
Other Governmental Funds	General Fund	49,976
Other Governmental Funds	KC Integrated Fund	140,000
Total		\$ <u>331,665</u>

These receivables represent the tax revenue collected in September 2012 but not settled until October 2012, indirect solid waste costs, temporary loans to funds and amounts owed for the sale of an asset between funds. All interfund balances are expected to be repaid within one year from the date of the financial statements.

**B. Advances from/to Other Funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 22,576
General Fund	Agency Funds	58,308
Other Governmental Funds	Other Governmental Funds	6,884
Total		\$ <u>87,768</u>

These advances represent fiscal year 2011 solid waste indirect costs, loan to cover insurance costs and posting errors that have not yet been corrected.

**C. Transfers In/Out:**

Transfer In	Transfer Out	Amount
Countywide Road Maintenance Fund	Other Governmental Funds	\$ 50,000
Other Governmental Funds	Countywide Road Maintenance Fund	1,850,000
Other Governmental Funds	Other Governmental Funds	1,206,294
Total		\$ <u>3,106,294</u>

The primary purpose of interfund transfers was to distribute road maintenance revenues to various road districts and to provide for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

# PONTOTOC COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 117,056
T.V.A. in lieu of tax	109,399
Community development block grant	103,145
North MS Economic Development Authority	150,000
Appalachia regional commission grant	64,178
State-aid road reimbursement	18,549
Motor vehicle fuel tax	21,812
Motor vehicle license tax	19,173
DUI grant	22,939
Reimbursement for housing prisoners	20,540
Circuit Clerk fees	9,608
Airport improvement grant	8,097
Narcotics task force local grant	7,687
City of Pontotoc	7,500
Emergency management performance grant	4,254
Sheriff fees	4,200
Youth court support grant	3,369
Voting access for individuals with disabilities grant	2,950
Law enforcement training reimbursement	1,800
Overweight fines	1,507
Harvest permits	1,317
Town of Ecrú	625
Timber severance	149
Total Governmental Activities	\$ <u>699,854</u>
<b>Business-type Activities:</b>	
Garbage collection fees	\$ <u>2,847</u>
Total Business-type Activities	\$ <u>2,847</u>

(5) Ad Valorem Tax Fee-In-Lieu Receivable.

Pontotoc County, Union County and Lee County (PUL Alliance) entered into an Ad Valorem Tax Fee-In-Lieu Agreement (agreement) with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The agreement provides that beginning in January, 2011, and continuing until the retirement of the Public Bonds, TMMMS agreed to make an annual fee payment of \$2,500,000 to the PUL Alliance. The first fee payment was made on or before January 31, 2011 and subsequent fee payments shall be made on or before January 31 of each succeeding year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement. Pontotoc County's portion of this annual payment is one third or \$833,333.

# PONTOTOC COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2012, is as follows:

Ad Valorem Tax Fee-In-Lieu Receivable	\$	8,279,500
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September 30,

2013	\$	836,100
2014		833,333
2015		833,333
2016		833,333
2017		833,333
2018-2022		4,166,667
2023-2026		<u>3,333,334</u>
 Total	 \$	 11,669,433
 Less: Discount to present value		 <u>3,389,933</u>
 Net receivable	 \$	 <u><u>8,279,500</u></u>

Receivables due in more than one year are discounted to net present value using the County's average interest rate of 5.45% on the bonds issued for the project, which management has determined is an appropriate discount rate commensurate with the risks involved.

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

**Governmental activities:**

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,595,624	680,247	186,700		2,089,171
Construction in progress	<u>899,222</u>	<u>409,810</u>		<u>(1,309,032)</u>	
Total non-depreciable capital assets	<u>2,494,846</u>	<u>1,090,057</u>	<u>186,700</u>	<u>(1,309,032)</u>	<u>2,089,171</u>
<u>Depreciable capital assets:</u>					
Infrastructure	71,437,811	316,829		1,309,032	73,063,672
Buildings	15,373,301	1,165,168	1,165,168		15,373,301
Improvements other than buildings	2,445,671				2,445,671
Mobile equipment	8,631,907	58,107	58,980	320,382	8,951,416
Furniture and equipment	1,012,694				1,012,694
Leased property under capital leases	<u>765,709</u>	<u>202,975</u>		<u>(320,382)</u>	<u>648,302</u>
Total depreciable capital assets	<u>99,667,093</u>	<u>1,743,079</u>	<u>1,224,148</u>	<u>1,309,032</u>	<u>101,495,056</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	18,761,859	2,410,585			21,172,444
Buildings	4,241,925	271,432			4,513,357
Improvements other than buildings	712,882	98,541			811,423
Mobile equipment	6,184,315	640,448	53,082	220,514	6,992,195

PONTOTOC COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Furniture and equipment	803,224	25,672			828,896
Leased property under capital leases	464,851	98,431		(220,514)	342,768
Total accumulated depreciation	31,169,056	3,545,109	53,082	0	34,661,083
Total depreciable capital assets, net	68,498,037	(1,802,030)	1,171,066	1,309,032	66,833,973
Governmental activities capital assets, net	\$ 70,992,883	(711,973)	1,357,766	0	68,923,144

**Business-type activities:**

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Depreciable capital assets:</u>					
Mobile equipment	1,024,759				1,024,759
Total depreciable capital assets	1,024,759	0	0	0	1,024,759
<u>Less accumulated depreciation for:</u>					
Mobile equipment	718,998	79,488			798,486
Total accumulated depreciation	718,998	79,488	0	0	798,486
Total depreciable capital assets, net	305,761	(79,488)	0	0	226,273
Business-type activities capital assets, net	\$ 305,761	(79,488)	0	0	226,273

\*Adjustments are for reclassifications of completed construction in progress and reclassifications of paid off leased assets.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 320,792
Public safety	506,360
Public works	2,655,900
Culture and recreation	62,057
Total governmental activities depreciation expense	\$ 3,545,109
<b>Business-type activities:</b>	
Solid waste	\$ 79,488
Total business-type activities depreciation expense	\$ 79,488



PONTOTOC COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(7) Commitment.

On December 30, 2010, the Pontotoc County Board of Supervisors approved an order to pay Three Rivers Planning and Development District \$33,400 per year for seven years to be used to create and retain jobs in the county at any industrial site in the county.

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission.

Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

**As Lessor:**

The county receives income from property it leases to industries under capital leases. Total lease principal payments from such leases were \$43,491 for the year ended September 30, 2012.

The County leases the following property with varying terms and options as of September 30, 2012:

Southern Motion, Inc.

On August 6, 2010, Pontotoc County entered into a capital lease with Southern Motion, Inc. for the lease of certain real property, building and all other improvements located at 201 Henry Southern Drive, Pontotoc, MS. The capital lease agreement stipulated that the lessee Southern Motion, Inc. would pay approximately \$5,350 per month in lease payments commencing November 10, 2010 for a period of 10 years and ending on February 1, 2020. At any time after the first seven years of the lease term, Southern Motion, Inc. may exercise the purchase option. The purchase price shall be determined as the principal balance of indebtedness. Upon the expiration or termination of this lease lessee will vacate the premises and give lessor possession of the property unless the lessee by notifying lessor in writing thereof elects to purchase the premises for the sum of all then outstanding base rent payable for the remainder of the term or may re-negotiate lease.

KC Integrated Services, LLC

On September 14, 2012, Pontotoc County entered into a capital lease with KC Integrated Services, LLC to lease certain real property, building and all other improvements located at 206 West Main Street, Sherman, MS. The capital lease agreement stipulated that the lessee, KC Integrated Services, LLC, would pay approximately \$7,985 per month in lease payments commencing October 1, 2012 for a period of 15 years. The lessee shall have the option to terminate the lease agreement at the end of the first five years, with a termination fee of \$550,001. Other termination options are available. The lessee shall have the option to purchase the property at the end of the first ten years for \$436,240. At the end of the fifteen years, the lessee shall have the option to purchase the property for \$1.

PONTOTOC COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

Classes of Property		Amount
Land	\$	569,600
Building		1,165,168
Total	\$	1,734,768

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2012, are as follows:

Year Ended September 30	Principal	Interest
2013	\$ 101,068	58,950
2014	105,267	54,751
2015	109,642	50,377
2016	114,201	45,817
2017	118,954	41,065
2018 – 2022	550,940	131,454
2023 – 2027	436,240	42,854
Total	\$ 1,536,312	425,268

**As Lessee:**

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property		Governmental Activities
Mobile equipment	\$	379,412
Furniture and equipment		268,890
Total		648,302
Less: Accumulated depreciation		342,768
Leased Property Under Capital Leases	\$	305,534

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 138,171	5,975
2014	69,557	3,184
2015	50,691	1,782
2016	37,910	723
2017	11,111	92
Total	\$ 307,440	11,756

# PONTOTOC COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

(10) Other Postemployment Benefits.

Plan Description

The Pontotoc County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Pontotoc County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(11) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Pontotoc County G.O. Bonds, Series 2005	\$ 3,350,000	3.50/5.00	09/2025
Pontotoc County G.O. Bonds, Series 2007	8,030,000	5.00/6.00	07/2026
Total General Obligation Bonds	\$ <u>11,380,000</u>		
B. Capital Leases:			
Tractor truck	\$ 8,886	3.31	05/2013
Computer system	45,383	3.69	08/2013
4 Crown Victorias	15,827	3.24	07/2013
3 Ford F-150 trucks	52,477	3.00	08/2016
IBM computer equipment	28,236	1.52	09/2014
Backhoe	46,110	2.04	05/2015
Tractor	36,054	2.10	08/2016
Backhoe	74,467	2.20	05/2017
Total Capital Leases	\$ <u>307,440</u>		
C. Other Loans:			
CAPS Loan for Industrial Park	\$ 19,100	3.00	05/2013
Certificates of Participation - Extension Building	624,000	3.99	11/2018
Certificates of Participation - building	275,000	3.90	08/2013
Certificates of Participation - building	85,000	4.05	08/2013
Economic Development Loan (Southern Motion)	212,372	5.00	11/2020
Economic Development Loan (Southern Motion)	101,029	4.00	11/2020
Economic Development Loan (Southern Motion)	126,286	4.00	11/2020
Equipment Loan – 6 fire trucks	831,739	3.19	04/2020
TVA Loan	642,732	3.00	06/2030
Equipment Loan – 6 fire trucks	337,431	2.50	06/2014
CAPS Loan	769,465	3.00	01/2027
Total Other Loans	\$ <u>4,024,154</u>		

PONTOTOC COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 595,000	558,518	867,526	131,789
2014	630,000	524,767	503,978	103,123
2015	665,000	490,298	345,862	86,902
2016	690,000	460,005	359,766	74,545
2017	730,000	428,805	373,154	61,526
2018 – 2022	4,210,000	1,598,401	982,605	150,268
2023 – 2027	3,860,000	482,762	468,008	52,255
2028 – 2032			123,255	5,312
Total	\$ 11,380,000	4,543,556	4,024,154	665,720

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to 2.91% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Balance Sept. 30, 2012	Amount due within one year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 11,940,000		560,000	11,380,000	595,000
Less:					
Discounts	(198,391)		(12,289)	(186,102)	
Add:					
Premiums	35,369		17,124	18,245	
Capital leases	303,958	167,975	164,493	307,440	138,171
Other loans	3,724,865	1,122,597	823,308	4,024,154	867,526
Total	\$ 15,805,801	1,290,572	1,552,636	15,543,737	1,600,697

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
KC Integrated Fund	\$ 48,260
Jail Construction Fund	646

## PONTOTOC COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### (13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

#### Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012, the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Pontotoc County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share of the \$4,235,000 refunding bonds balance at September 30, 2012 was \$715,715.

#### (14) Joint Ventures.

The county participates in the following joint ventures:

Pontotoc County is a participant with Calhoun County and Chickasaw County in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The regional library was created to provide free public library service for the respective counties. The regional library is governed by a five-member board appointed by the Boards of Supervisors: two from the library board of Pontotoc County, one from the library board of Chickasaw County, and two from the library board of Calhoun County. The County contributed \$174,480 to the library in fiscal year 2012. Complete financial statements for the regional library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, MS 38863.

Pontotoc County is a participant with the City of Pontotoc in a joint venture, authorized by Section 17-13-1, Miss. Code Ann. (1972), to operate the Lyle Hansberger Sportsplex. The Sportsplex was created for the use and benefit of all residents of Pontotoc County, Mississippi. The City and County jointly share annual costs of operation and maintenance of the Sportsplex.

#### (15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Three Rivers Planning and Development District operates in a district composed of the Counties of Pontotoc, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union. The Pontotoc County Board of Supervisors appoints five of the 40 members of the board of directors. The County contributed \$30,000 for support of the district in fiscal year 2012.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Pontotoc County Board of Supervisors appoints one of the seven members of the board of commissioners. The County contributed \$29,400 for support of the commission in fiscal year 2012.

## PONTOTOC COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

Itawamba Community College operates in a district composed of the Counties of Itawamba, Lee, Chickasaw, Pontotoc and Monroe. The Pontotoc County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County provided approximately \$959,922 by tax levy for maintenance and support of the college in fiscal year 2012.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Pontotoc, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. Each of these entities appoints one of the 14 board members. The entity is fiscally independent of all other entities as it can set its own budget, issue debt and set rates and charges. Members are billed based on the volume of solid waste received from each member. The County did not contribute any funds for the support of the authority in fiscal year 2012.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Pontotoc County Board of Supervisors appoints four of the 36 members of the board of directors. The County contributed \$37,618 for support of the district in fiscal year 2012.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Pontotoc County Board of Supervisors appoints one of the 24 members of the board of directors. The County did not appropriate any funds for support of Lift, Inc. in fiscal year 2012.

Pontotoc Union Lee Alliance (PUL) is an alliance to promote economic development in these three counties. The Pontotoc County Board of Supervisors appoints two of the nine members of the board of directors. The County did not appropriate any funds for support of the alliance during fiscal year 2012.

#### (16) Defined Benefit Pension Plan.

Plan Description. Pontotoc County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$503,432, \$444,669 and \$437,431, respectively, equal to the required contributions for each year.

#### (17) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Pontotoc County evaluated the activity of the County through January 29, 2015, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

# PONTOTOC COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2012

Subsequent to September 30, 2012, the county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
4/15/2013	1.64%	\$ 79,865	Capital lease	Ad valorem taxes
5/13/2013	1.72%	28,130	Capital lease	Ad valorem taxes
7/17/2013	1.81%	61,811	Capital lease	Ad valorem taxes
7/17/2013	1.72%	29,750	Capital lease	Ad valorem taxes
8/01/2013	1.72%	30,000	Capital lease	Ad valorem taxes
8/06/2014	3.50%	124,000	Other loan	Rental income
8/22/2013	3.00%	528,000	Capital lease	Rental income
9/02/2014	1.74%	138,344	Capital lease	Ad valorem taxes
9/03/2014	4.20%	400,000	Other loan	Rental income
9/03/2014	4.20%	500,000	Other loan	Rental income
9/11/2013	1.64%	128,829	Capital lease	Solid waste fees
10/15/2014	4.75%	119,000	Other loan	Rental income
10/15/2014	4.04%	467,000	Other loan	Rental income

PONTOTOC COUNTY

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PONTOTOC COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PONTOTOC COUNTY

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PONTOTOC COUNTY  
Budgetary Comparison Schedule -  
Budget and Actual (Non-GAAP Basis)  
General Fund  
For the Year Ended September 30, 2012  
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,744,609	5,357,630	5,357,630	
Licenses, commissions and other revenue	877,000	772,756	772,740	(16)
Fines and forfeitures	5,600	28,436	28,436	
Intergovernmental revenues	823,750	1,072,775	1,072,775	
Charges for services	45,000	85,340	85,340	
Interest income	61,500	2,177	2,177	
Miscellaneous revenues	240,500	434,734	248,956	(185,778)
Total Revenues	<u>6,797,959</u>	<u>7,753,848</u>	<u>7,568,054</u>	<u>(185,794)</u>
EXPENDITURES				
Current:				
General government	3,646,601	3,602,328	3,602,328	
Public safety	2,343,508	2,382,680	2,382,680	
Public works	10,000	5,255	5,255	
Health and welfare	275,975	300,518	300,518	
Culture and recreation	131,500	174,311	174,311	
Conservation of natural resources	200,945	203,557	203,557	
Economic development and assistance	45,630	30,730	30,730	
Debt service:				
Principal	532,208	557,529	557,529	
Interest	65,092	74,519	74,519	
Total Expenditures	<u>7,251,459</u>	<u>7,331,427</u>	<u>7,331,427</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(453,500)</u>	<u>422,421</u>	<u>236,627</u>	<u>(185,794)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		137,100	332,100	195,000
Transfers in	80,000	294,620	294,620	
Transfers out	(150,000)	(150,032)	(150,032)	
Total Other Financing Sources and Uses	<u>(70,000)</u>	<u>281,688</u>	<u>476,688</u>	<u>195,000</u>
Net Change in Fund Balance	(523,500)	704,109	713,315	9,206
Fund Balances - Beginning	<u>71,451</u>	<u>997,641</u>	<u>1,030,641</u>	<u>33,000</u>
Fund Balances - Ending	<u>\$ (452,049)</u>	<u>1,701,750</u>	<u>1,743,956</u>	<u>42,206</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PONTOTOC COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2012  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,633,500	1,670,588	1,670,588	
Intergovernmental revenues	625,000	550,533	550,533	
Interest income	1,500	192	192	
Miscellaneous revenues	250,000	178,207	186,517	8,310
Total Revenues	<u>2,510,000</u>	<u>2,399,520</u>	<u>2,407,830</u>	<u>8,310</u>
EXPENDITURES				
Current:				
Public works	530,700	475,319	475,319	
Debt service:				
Principal	21,250			
Total Expenditures	<u>551,950</u>	<u>475,319</u>	<u>475,319</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,958,050</u>	<u>1,924,201</u>	<u>1,932,511</u>	<u>8,310</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		8,400	8,400	
Transfers out	(2,158,050)	(1,850,000)	(1,850,000)	
Total Other Financing Sources and Uses	<u>(2,158,050)</u>	<u>(1,841,600)</u>	<u>(1,841,600)</u>	<u>0</u>
Net Change in Fund Balance	(200,000)	82,601	90,911	8,310
Fund Balances - Beginning	<u>(40,000)</u>	<u>(46,859)</u>	<u>172,379</u>	<u>219,238</u>
Fund Balances - Ending	<u>\$ (240,000)</u>	<u>35,742</u>	<u>263,290</u>	<u>227,548</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

# PONTOTOC CONTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2012 UNAUDITED

### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Budget (Cash Basis)	\$ 713,315	90,911
Increase (Decrease)		
Net adjustments for revenue accruals	(426,318)	(205,258)
Net adjustments for expenditure accruals	<u>13,772</u>	<u>178,848</u>
GAAP Basis	\$ <u><u>300,769</u></u>	<u><u>64,501</u></u>

PONTOTOC COUNTY

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PONTOTOC COUNTY

SUPPLEMENTAL INFORMATION

PONTOTOC COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Passed-through Mississippi State Treasurer's Office Schools and roads - grants to states	10.665	N/A	\$ 2,603
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1128-11-058-ED-01	* 345,877
U.S. Department of Justice Passed-through the Mississippi Department of Public Safety Passed-through the City of Tupelo Edward Byrne memorial formula grant program	16.579	11NM2321	30,689
U.S. Department of Labor Passed-through the Mississippi Development Authority Workforce Investment Act Cluster:			
WIA adult program	17.258	2001006	* 3,209,678
WIA youth activities	17.259	2001006	* 2,499,958
WIA dislocated workers	17.260	2001006	* 2,335,772
ARRA - WIA dislocated workers	17.260	2000803	* 293,046
Total expenditures for workforce investment act cluster			<u>8,338,454</u>
U.S. Department of Transportation/Direct Award Airport improvement program	20.106	N/A	8,097
U.S. Department of Transportation Passed-through Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 76 01 58	16,300
U.S. Department of Transportation Passed-through Mississippi Department of Public Safety Alcohol open container requirements	20.607	12-TA-158-1	<u>37,668</u>
Total U.S. Department of Transportation			<u>62,065</u>



PONTOTOC COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

<u>Federal Grantor/ Pass-through Grantor/ Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Appalachian Regional Commission Passed-through Tennessee Valley Authority Appalachian Area Development	23.002	TV-85102V *	412,751
U.S. Department of Health and Human Services Passed-through Secretary of State Voting Access for Individuals with Disabilities_Grants to States	93.617	0703MSVOTE.	2,950
U.S. Department of Homeland Security Passed-through Mississippi Department of Public Safety Emergency management performance grants	97.042	N/A	<u>6,233</u>
Total Expenditures of Federal Awards			<u>\$ 9,201,622</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Workforce Investment Act

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$8,338,454 to Three Rivers Planning and Development District during the year ended September 30, 2012.

\* Denotes major federal award program

PONTOTOC COUNTY

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## PONTOTOC COUNTY

## OTHER INFORMATION

PONTOTOC COUNTY

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PONTOTOC COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2012  
UNAUDITED

Name	Position	Company	Bond
Wayne Stokes	Supervisor District 1	Brierfield Insurance Company	\$100,000
Wayne Tutor	Supervisor District 2	Brierfield Insurance Company	\$100,000
Duane Tutor	Supervisor District 3	Brierfield Insurance Company	\$100,000
Ernie Wright	Supervisor District 4	Brierfield Insurance Company	\$100,000
Dennis Corder	Supervisor District 5	Brierfield Insurance Company	\$100,000
Gary Moorman	County Administrator	Brierfield Insurance Company	\$100,000
Gary Moorman	Chancery Clerk	Brierfield Insurance Company	\$100,000
Kaye Boyd	Purchase Clerk	Brierfield Insurance Company	\$75,000
Gary Moorman	Assistant Purchase Clerk (Court Clerk)	Brierfield Insurance Company	\$25,000
Tim Holcomb	Receiving Clerk	Brierfield Insurance Company	\$75,000
Doug Anderson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Stephanie Cooper	Assistant Receiving Clerk	Brierfield Insurance Company	\$25,000
John Golden	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Donnie McClarty	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Alan Morris	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Gary Robertson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Rickey Williams	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Gary Moorman	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
LD Gillespie II	Constable	Brierfield Insurance Company	\$50,000
Early McKinney	Constable	Brierfield Insurance Company	\$50,000
Melinda Nowicki	Circuit Clerk	Brierfield Insurance Company	\$100,000
Cindy DiDonna	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Gail Jagers	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Lisa Fowler	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Leo Mask	Sheriff	Brierfield Insurance Company	\$100,000
Chance Austin	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Charles Brown	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Gary Chislom	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Jacob Chisolm	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Jason Clingan	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Chris Cook	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Stephanie Cooper	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Ray Counce	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Kaye Davis	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Billy Ferguson	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Shannon Gunter	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Benjamin Hamilton	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Jessica Hale	Sheriff's Deputy	Brierfield Insurance Company	\$25,000

PONTOTOC COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2012  
UNAUDITED

Name	Position	Company	Bond
Amanda Humphrey	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Thomas Kidd	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
James Kitchens	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
John Logan	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Trevor McGreger	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Shemila McKinney	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Raymond Owens	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
David Patton	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Ryan Roberts	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Ricky Simmons	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Matt (Scott) Stringer	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Dan Treadway	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Randall Wilson	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
Roland Yarbrough	Sheriff's Deputy	Brierfield Insurance Company	\$25,000
David Hall	Justice Court Judge	Brierfield Insurance Company	\$50,000
Edgar Barton	Justice Court Judge	Brierfield Insurance Company	\$50,000
Sheila Wilson	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Deborah Spratt	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Donna Owen	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Jeanette Winters	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Kathy Robinson	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Van McWhirter	Tax Assessor/Collector	Brierfield Insurance Company	\$100,000
Jennifer Brown	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Ruth Moore	Deputy Tax Collector	Brierfield Insurance Company	\$50,000

PONTOTOC COUNTY

SPECIAL REPORTS

PONTOTOC COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Pontotoc County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pontotoc County, Mississippi (the County), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 29, 2015. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. This report is qualified on the governmental activities, the business-type activities and the Solid Waste Fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles in the United States of America. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the valuation of the fines receivable, net and the aging of these fines receivable. Except for the limitation related to the qualified opinion on the General Fund, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pontotoc County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 12-01, 12-02, 12-03, 12-04, 12-05, 12-06, 12-07, 12-08, 12-12, 12-13, 12-14, 12-15, 12-16 and 12-17 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 12-09, 12-10 and 12-11 to be significant deficiencies.

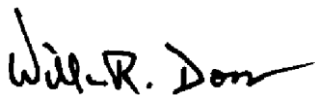
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-05, 12-06, 12-07 and 12-08.

We also noted certain matters which we have reported to the management of Pontotoc County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated January 29, 2015, included within this document.

Pontotoc County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Plan. We did not audit Pontotoc County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 29, 2015



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Pontotoc County, Mississippi

Compliance

We have audited the compliance of Pontotoc County, Mississippi, (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. Pontotoc County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pontotoc County, Mississippi's management. Our responsibility is to express an opinion on Pontotoc County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pontotoc County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pontotoc County, Mississippi's compliance with those requirements.

As described in items 12-18, 12-19 and 12-20 in the accompanying Schedule of Findings and Questioned Costs, Pontotoc County, Mississippi, did not comply with compliance requirements regarding Cash Management, Davis-Bacon Act and Reporting that are applicable to its Appalachian Area Development grant. Compliance with such requirements is necessary, in our opinion, for Pontotoc County, Mississippi, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Pontotoc County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

The management of Pontotoc County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pontotoc County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

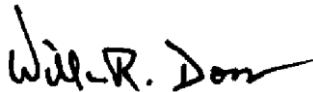
compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonably possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-18, 12-19, and 12-20 to be material weaknesses.

Pontotoc County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Pontotoc County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 29, 2015



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Pontotoc County, Mississippi

We have examined Pontotoc County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Pontotoc County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Pontotoc County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Purchases over \$5,000 but not over \$50,000 require two quote bids and documentation of the lowest and best bid.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972) specifies that purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids provided at least two competitive written bids are obtained. During our audit, the following deficiencies were noted:

- a. The Board of Supervisors approved payment of \$7,990 for a roof on the Chamber of Commerce building, but no documentation of quotes was available.
- b. The County constructed a building at the County jail location. There is no documentation or approval of the jail project in the Board of Supervisors' minute books and no quotes on one purchase in excess of \$8,400 for materials used in the building project were received.
- c. The Board of Supervisors approved a quote of \$5,400 as the lowest and best quote for work performed on the new building erected at the Sportsplex. However, the vendor invoiced the County for additional work that was not approved by the board and the County paid the vendor an additional \$2,400.
- d. The Board of Supervisors approved the purchase of a backhoe for \$79,500 after advertising for competitive written bids. A hydraulic thumb was also purchased for \$7,200 at the same time, but was not included in bid or approved in the board minutes. No quotes were provided for the hydraulic thumb.

Failure to obtain at least two competitive written bid quotes for purchases over \$5,000 but not over \$50,000 could result in the loss of public funds.

#### Recommendation

The Board of Supervisors should ensure that purchases over \$5,000, but not over \$50,000 be made from the lowest and best bidder of at least two competitive written bid quotes.

#### Board of Supervisors' Response

- a. The Board of Supervisors does solicit two (2) competitive written quotes for expenditures over \$5,000.00 but less than \$50,000.00. The chamber roof project was authorized after competitive quotes, but the documentation was not available to the auditors of the quotes, which were obtained by the City of Pontotoc as a joint project.
- b. The jail building was constructed with inmate labor at a substantial cost savings to Pontotoc County. All materials were purchased with a purchase order, without competitive bids, all components were under \$5,000.00.
- c. The Board of Supervisors approved additional work at the Sportsplex building for some additional expense. If the approval was not in the minutes, then it was erroneously omitted, after approval. We will ensure minute approval in future additional work.
- d. Both items of equipment were purchased as a package. The Board of Supervisors believed that they were previously one package of equipment with the requisite competitive quotes.

#### Auditor's Note

- a. The auditors requested documentation of quotes from the Chamber of Commerce, Pontotoc County and the City of Pontotoc. No documentation for quotes was provided by any of these entities.
- b. One purchase of materials was for \$8,429 and no quotes were obtained.
- c. No documentation was provided.
- d. The hydraulic thumb was not included in the bid specifications for the backhoe and no evidence was provided to document that quotes were received or that the board approved the purchase.

#### 2. Purchase over \$50,000 was not advertised for competitive bidding.

#### Finding

Section 31-7-13, Miss. Code Ann. (1972) specifies that contracts for public construction which involve an expenditure of more than \$50,000 may be made from the lowest and best bidder after advertising for competitive bids once each week for two consecutive weeks in a regular newspaper published in the county in which such governing authority is located. The county purchased components of and constructed a building at the Sportsplex facility that had a total cost of \$90,418. For the Sportsplex project, the County acted as the contractor; however, the project, as a whole, was not advertised for competitive bids as required by statute. Failure to advertise for competitive bids for purchases over \$50,000, as required by state law, could result in a loss of public funds.

### Recommendation

The Board of Supervisors should ensure that all construction projects, and other purchases, with an estimated cost of more than \$50,000 should be advertised for competitive bids as required by state law.

### Board of Supervisors' Response

The County used two (2) or more competitive quotes, as required by law, to purchase components of the Sportsplex project for expenditures of \$5,000.00 or more, but less than \$50,000.00 acting as the contractor. The County, acting as its own contractor, saved substantial costs in the construction of that project and believed that it had complied with all legal requirements of public bidding. In the future, the Board of Supervisors will ensure that all public construction projects of more than \$50,000.00 will be advertised for competitive bids as required by state law.

Inventory Control Clerk.

3. Inventory Control Clerk should maintain an inventory control system.

### Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include marking all assets as property of the county, reconciling capital asset amounts added to inventory to invoices to ensure proper accounting, and obtaining Board of Supervisors' approval for all capital asset purchases. During audit test work, the following deficiencies were noted:

- a. District 2 sold its half interest in a truck and pothole patcher to District 3 for \$25,000, but the assets were not shown as transferred to District 3 on the inventory report.
- b. The addition of a building constructed at the Sportsplex location at a cost of \$90,418 (county's half is \$45,209) was not added to the county inventory.
- c. The County began using a new inventory system for fiscal year 2013. In the process of converting to the new system, the old inventory system, used for fiscal year 2012, was not updated with all additions purchased during fiscal year 2012; therefore, the capital asset listing was incomplete.

A lack of internal controls over capital assets could result in the loss or misuse of these assets.

### Recommendation

The Inventory Control Clerk should ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly in the inventory records. All purchases should be approved before being added to inventory.

### Inventory Control Clerk's Response

I agree with this finding and will ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly in the inventory records. All purchases shall be approved before being added to inventory.

4. The Inventory Control Clerk should file inventory reports.

### Finding

Section 31-7-107, Miss. Code Ann. (1972), requires that inventory reports be filed with the Office of the State Auditor no later than October 15<sup>th</sup> of each year. As stated in the prior year's audit report, the County did not file the inventory report with the Office of the State Auditor for the 2012 fiscal year. The failure to prepare and file the annual report could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

### Recommendation

The Inventory Control Clerk should submit the inventory report to the Office of the State Auditor by October 15<sup>th</sup> following each fiscal year.

### Inventory Control Clerk's Response

I agree with this finding, and will submit the inventory report to the Office of the State Auditor by October 15<sup>th</sup> following each fiscal year.

Purchase Clerk.

5. The Purchase Clerk shall be responsible for the maintenance of the central purchasing system of the County.

### Finding

Section 31-7-103, Miss. Code Ann. (1972) requires the Purchase Clerk to maintain the central purchasing system of the county. Purchasing guidelines require board approval for purchases that require quotes. During the audit, the following exceptions were noted:

- a. Vendor invoices for vehicle repairs were dated before the purchase requisitions and purchase orders.
- b. Vendor invoice for a purchase of computer equipment lists a shipping date that is earlier than the purchase requisition and purchase order dates.
- c. Purchasing documentation for materials used in the Sportsplex building shows a purchase requisition that is not signed, a receiving report dated before the vendor invoices, sales tickets dated prior to the purchase requisition and purchase order dates. Also, the purchase requisition and purchase order did not contain specific quantities, item description or unit cost.
- d. Vendor invoices for materials purchased for the jail project were dated prior to the purchase requisitions and purchase orders. Also, the purchase requisition and purchase order did not contain specific quantities, item descriptions or unit cost.
- e. A vendor invoice shows a work order was opened, by the vendor, before the purchase requisition and purchase order dates.
- f. Vendor invoice shows a shipping date for parts that is prior to the purchase requisition and purchase order date.
- g. A purchase requisition and purchase order was issued for a purchase over \$5,000 that had not been approved by the Board of Supervisors and that did not have quotes.

Failure to follow state purchasing laws and guidelines could result in the loss of public funds.

### Recommendation

The Purchase Clerk should ensure that purchase requisitions are signed by the appropriate department head, disapprove any purchase requisitions which, in his/her opinion, are not in compliance with the purchasing laws of the state, initiate purchase orders for no more than \$5,000 following board and department policies and good business practices, and underwritten board authority, accept the lowest and best competitive written quote for purchases greater than \$5,000 and not more than \$50,000.

### Purchase Clerk's Response

- a. I will correct this.
- b. I was not aware this had been shipped.
- c. My P.O. 18995 is for steel and materials to build concession stand with not to exceed \$22,000.00.
- d. I will correct this.
- e. I will correct this.
- f. I will correct this.
- g. My P.O. 19042 is for concrete for jail building with not to exceed \$8,000.00. My P.O. 19181 is for this same project.



#### Auditor's Note

- c. Purchase Clerk should not issue a purchase order without a signed requisition.
- g. Purchases over \$5,000 require two written quotes. No documentation for these quotes were provided.

Assistant Purchase Clerk.

6. Assistant Purchase Clerk was not sufficiently bonded.

#### Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Purchase Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. As stated in the prior's year audit report, the Assistant Purchase Clerk was only bonded for \$25,000 for fiscal year 2012. In the event of a loss of public funds involving the Assistant Purchase Clerk, the funds available to the county for recovery would be limited.

#### Recommendation

The Assistant Purchasing Clerk should obtain a bond for \$50,000 as required by law.

#### Assistant Purchasing Clerk's Response

I agree with this finding and have obtained a bond for \$50,000 as required by law.

Assistant Receiving Clerk.

7. Assistant Receiving Clerks were not sufficiently bonded.

#### Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Receiving Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. As stated in the prior year's audit report, two Assistant Receiving Clerks had bond coverage for only \$10,000 each. The failure to bond the Assistant Receiving Clerks for the required amount would limit the amount available for recovery if a loss occurred.

#### Recommendation

The Assistant Receiving Clerks should be bonded for \$50,000 as required by law.

#### Assistant Receiving Clerk's Response

I agree with this finding and have obtained bonds in the amount of \$50,000 for assistant receiving clerks as required by law.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Pontotoc County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Pontotoc County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Pontotoc County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 29, 2015

PONTOTOC COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2012

Our test results did not identify any purchases from other than the lowest bidder.

## PONTOTOC COUNTY

Schedule 2

## Schedule of Emergency Purchases

For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04/19/2012	New roof for library	\$ 47,161	Graham Roofing	Old roof was leaking.

PONTOTOC COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

PONTOTOC COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Pontotoc County, Mississippi

In planning and performing our audit of the financial statements of Pontotoc County, Mississippi, (the County) for the year ended September 30, 2012, we considered Pontotoc County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pontotoc County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated January 29, 2015, on the financial statements of Pontotoc County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain instances of noncompliance with state laws and regulations and areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Required documentation should be filed with PERS when hiring PERS service retirees.

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the reemployment provisions of Section 25-11-127, Miss. Code Ann. (1972), counties hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgement of Re-Employment of Retiree" with the PERS office within five days from the date of employment of the retiree. It also states that the service retiree will earn no more than one-half (1/2) of the full-time authorized salary for the position at the time of employment. As stated in the prior year's audit report, during our test of internal control related to the payroll expenditures, we noted that the County employed one service retiree. Lack of internal controls related to the payroll cycle resulted in county personnel not correctly filing all of the necessary forms required for PERS service retirees. The Mississippi Public Employees Retirement System could assess a penalty per occurrence payable by the County for not filing PERS Form 4B within five days of re-employment of the service retiree.

### Recommendation

The Board of Supervisors should implement procedures to ensure that the county correctly files PERS Form 4B “Certification/Acknowledgement of Re-Employment of Retiree” for all retirees hired by the County within five days of employment. We also recommend that the Board of Supervisors ensures service retirees earn no more than what is allowed on their Form 4B.

### Board of Supervisors’ Response

The Board of Supervisors shall require all retirees to file PERS Form 4B if re-employed by Pontotoc County and will retain a copy of said form in the personnel file of the employee. Also, Pontotoc County shall monitor the earnings of all service retirees to ensure compliance with the limitations of 4B.

2. The County should not allow individuals other than employees and their dependents to participate in insurance plan.

### Finding

Section 25-15-101, Miss. Code Ann. (1972), authorizes counties to obtain health insurance and other kinds of insurance for employees and their dependents. As stated in the prior year’s audit report, the County allowed two Chamber of Commerce employees to participate in the County’s health insurance with these two Chamber of Commerce employees reimbursing the County for their premiums. However, there is no authority for the County to provide health insurance for individuals who are not employees of the county. Failure to limit participation in the County’s group insurance to employees and their dependents could result in increased premium costs for the County.

### Recommendation

The County should only allow employees and their dependents to obtain insurance through the County.

### Board of Supervisors’ Response

It was the belief of the Board of Supervisors that two (2) employees of the Pontotoc County Chamber of Commerce were quasi employees of the County and could participate in the group health insurance program of the County. Since the last audit, those employees have been removed from the County’s group health insurance program and the County shall only allow County employees and their dependents to obtain insurance coverage.

3. Controls over repayment of interfund advances should be strengthened.

### Finding

As reported in the prior year’s audit report, the County has interfund loans outstanding that are over a year old. These interfund loans total \$87,768 as of September 30, 2012. These advances relate to indirect costs associated with garbage collection activities, an ad valorem tax posting error and loan for insurance costs. The Mississippi Code is silent regarding the authority of the County to make these loans. Failure to repay these loans constitutes a diversion of legally restricted funds.

### Recommendation

The Board of Supervisors should ensure that these old interfund advances are repaid.

### Board of Supervisors’ Response

The above referenced loans have been repaid by express approval spread upon the minutes of the Board of Supervisors. It is the belief of the Board of Supervisors that said interfund loans, once properly approved and spread upon its minutes, are permitted by “Home Rule” unless specifically prohibited by state statute.



#### Auditor's Note

The advances resulting from the indirect costs and posting error were repaid in December 2014.

4. No public servant shall be contractor, subcontractor or vendor with the governmental entity of which he is an employee.

#### Finding

Section 25-4-105, Miss. Code Ann. (1972), states that no public servant shall be a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent, other than in his contract of employment, or have a material financial interest in any business which is a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent. The Board of Supervisors entered into a three year contract with a full-time county employee, employed in the Tax Assessor's office, for G.I.S. services for \$1,166 per month, plus any necessary equipment and software, to be paid from the General Fund, for a total estimated contract cost of \$48,800. Any person violating the provisions of this section shall be punished as provided for in Sections 25-4-109 and 25-4-111.

#### Recommendation

The Board of Supervisors should not enter into illegal contracts with employees of the County.

#### Board of Supervisors' Response

The Board of Supervisors will not enter into illegal contracts with County employees. The above contract has been terminated, even though it was actually with an entity other than the employee.

#### Auditor's Note

The contract was paid in full. The company was owned by the employee.

5. Disbursements made from funds generated by countywide ad valorem tax levies should be used only for the maintenance and/or construction of roads and bridges.

#### Finding

Section 27-39-305(1), Miss. Code Ann. (1972) states that the Board of Supervisors may annually impose a countywide ad valorem tax levy or levies for the maintenance and/or construction of roads and bridges. Our test work revealed that wages totaling \$25,440 were paid from the District 2 and District 3 Road funds for work performed on the Sportsplex project, a Culture and Recreation fund. Disbursements from the road fund that are not for the maintenance and/or construction of roads and bridges are not legal and could cause a shortage in the county's road fund.

#### Recommendation

The County should ensure that expenditures made from county road funds are only for the maintenance and/or construction of roads and bridges.

#### Board of Supervisors' Response

The County shall expend funds from the road and bridge maintenance funds only for the maintenance and/or construction of roads and bridges.

6. Pontotoc County should strengthen passwords.

During our review, we noted that Pontotoc County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Pontotoc County information assets.

#### Recommendation

We recommend that Pontotoc County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

#### Board of Supervisors' Response

Pontotoc County shall work to establish a policy relative to the appropriate use of passwords.

7. Pontotoc County should expire all individual's passwords on a periodic basis.

#### Finding

A review of Pontotoc County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Pontotoc County.

#### Recommendation

We recommend that a policy be implemented to insure passwords are expired on a regular basis. In addition, Pontotoc County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

#### Board of Supervisors' Response

Pontotoc County shall work to establish a policy relative to the appropriate use of passwords.

8. Pontotoc County should create a rotation of backups offsite.

#### Finding

Pontotoc County is currently creating backups, but they are not taking the backups offsite. Without off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

#### Recommendation

We recommend that Pontotoc County implement a plan to backup systems containing financial related data on a consistent basis to ensure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the Pontotoc County Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup media in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that media be kept at the bank for several days (e.g., one week), in case of a disaster situation that required recovery and problems in reading recovery media were experienced.

#### Board of Supervisors' Response

Pontotoc shall work to ensure that computer backup media are taken "offsite" as a function of the documented disaster recovery process.

9. Pontotoc County should install network banners on its internal network.

#### Finding

During our review of Pontotoc County, we noted that the system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

### Recommendation

We recommend that Pontotoc County implement appropriate network banners on its internal network.

### Board of Supervisors' Response

Pontotoc County shall work to establish an appropriate network banner.

## 10. Pontotoc County should improve its server room environment management.

### Finding

Pontotoc County's computer room is located in an open office in the Pontotoc County courthouse in the corner of the room. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential of being accessed by unauthorized personnel. The room does have air conditioning, but does not have monitoring equipment for fire, heat and other conditions that can have an adverse effect on electronic equipment.

### Recommendation

We recommend that Pontotoc County establish an area specifically for computerized equipment that can be locked and provision it with environmental control and monitoring equipment for heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges.

### Board of Supervisors' Response

Pontotoc County shall review the conditions surrounding the computer room and develop a reasonable plan of action relative thereto.

Chancery Clerk.

## 11. The Chancery Clerk deducted unallowable and undocumented expenses on the annual financial report.

### Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. As stated in the prior year's audit report, the Chancery Clerk claimed \$1,067 in expenses in 2012 for which there was insufficient documentation or was not an allowable business expense. After the disallowance of these expenses, the Chancery Clerk's total excess fees was \$18,706 for the 2012 calendar year. Failure to settle these additional excess fees could result in the loss of public funds.

### Recommendation

The Chancery Clerk's annual financial report should be revised to reflect corrections to the line items that were incorrect and the balance due the County should be paid to the General Fund.

### Chancery Clerk's Response

I concur with this finding.

### Auditor's Note

The Chancery Clerk remitted to the General Fund 2012 excess fees of \$17,639 as evidenced by the County's receipt #30788 on April 21, 2014. The Chancery Clerk remitted to the General Fund 2012 excess fees of \$1,067 as evidenced by the County's receipt #30984 on July 2, 2014.

12. Internal controls over Chancery Clerk reimbursing salaries should be strengthened.

Finding

An effective system of internal control over payroll should include the timely reimbursement of County funds for Chancery Clerk's employee payroll costs. The Chancery Clerk employs deputies whose payroll is processed with the County's payroll. The Chancery Clerk reimbursed the county for his deputies' salaries after the actual payroll date, instead of paying in advance. Failure to reimburse the County for Chancery Clerk's employee payroll costs results in an unauthorized loan to the Chancery Clerk.

Recommendation

The Chancery Clerk should pay deputies' salaries, including benefits, to the County in advance of the payroll period. If payment is not paid in advance, then the County should not issue a payroll check for the deputy clerk.

Chancery Clerk's Response

I agree with this finding, and will pay deputies, including benefits, to the County in advance of the payroll period.

13. Internal controls over accounting and reconciling Chancery Clerk fee income and expenses should be strengthened.

Finding

Section 9-1-43, Miss. Code Ann (1972) requires the Chancery Clerk to maintain a cash fee journal. The December 2012 bank reconciliation for the Chancery Clerk's fee journal account was not completed. When the auditor attempted to reconcile the December 31<sup>st</sup> bank statement for the Chancery Clerk's fee journal account to the December 31<sup>st</sup> cash balance of the fee journal, there was an unidentified difference of \$147.92. Failure to properly maintain the fee journal and reconcile to the bank account could result in misappropriation of public funds.

Recommendation

The Chancery Clerk should ensure that the fee journal is properly maintained and the bank statement is reconciled to the fee journal.

Chancery Clerk's Response

I agree with this finding, and will ensure that the fee journal is properly maintained and the bank statement is reconciled to the fee journal.

14. The public depositor annual report was not submitted.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the County is still required to perform certain duties related to the collateralization of public funds. As stated in the prior year's audit report, the public depositor annual report was not submitted to the State Treasurer as required. Without accurate and timely filing of the public depositor annual report with the State Treasurer, the risk increases that the County's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the public depositor annual report is submitted with accurate amounts as of September 30, 2012 by October 31<sup>st</sup>.

Chancery Clerk's Response

I agree with this finding, and will ensure that the public depositor annual report is submitted with the accurate amounts as of September 30<sup>th</sup> by October 31<sup>st</sup>.

Circuit Clerk.

15. Circuit Clerk deducted undocumented expense on the annual financial report.

Finding

Section 9-1-43(1) Miss. Code Ann. 1972, limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15<sup>th</sup> for the preceding calendar year. The Circuit Clerk claimed \$165 in expenses in 2012 for which there was insufficient documentation. After disallowance of these expenses, the Circuit Clerk owes an additional \$165 in excess fees for the 2012 calendar year. Failure to pay all excess fee amounts to the County could result in the loss of public funds.

Recommendation

The Circuit Clerk's annual financial report should be revised to reflect corrections to the line items affected by the disallowed expenses and the balance due should be remitted to the County's General Fund.

Circuit Clerk's Response

I will comply today.

Auditor's Note

The Circuit Clerk remitted to the General Fund 2012 excess fees of \$165 as evidenced by the County's receipt #30983 on July 2, 2014.

Sheriff.

16. Sheriff's deputies were not sufficiently bonded.

Finding

Section 45-5-9, Miss. Code Ann. (1972), requires every Sheriff's deputy hired under this section to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. As stated in the prior year's audit report, the Sheriff's deputies were bonded for \$25,000. The failure to bond Sheriff's deputies for the required amount would limit the amount available for recovery if a loss occurred.

Recommendation

The Sheriff should ensure a bond in the amount of \$50,000 is executed for each Deputy Sheriff hired under this statute as required by law.

Sheriff's Response

Bonds have been raised to \$50,000.

Deputy Tax Assessor.

17. Official's bonds for some deputy tax assessors were not in compliance with applicable statutes.

Finding

Section 27-1-3, Miss. Code Ann. (1972), states that deputies appointed by the assessor shall be required to give bond in the amount not less than \$10,000. As stated in the prior year's audit report, no bond could be found for two Deputy Tax Assessors. The failure to bond the Deputy Tax Assessors for the required amount would limit the amount available for recovery if a loss occurred.

Recommendation

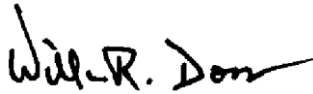
The Deputy Tax Assessors should obtain bonds for \$10,000 as required by law.

Deputy Tax Assessor's Response

I agree with this finding and have obtained bonds in the amount of \$50,000 for Deputy Tax Assessors.

Pontotoc County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 29, 2015

PONTOTOC COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PONTOTOC COUNTY

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# PONTOTOC COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

### Section 1: Summary of Auditor's Results

#### ***Financial Statements:***

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: |             |
|    | Governmental activities                                      | Qualified   |
|    | Business-type activities                                     | Qualified   |
|    | Aggregate discretely presented component units               | Adverse     |
|    | General Fund   | Qualified   |
|    | Countywide Road Maintenance Fund                             | Unqualified |
|    | KC Integrated Fund   | Unqualified |
|    | Solid Waste Fund   | Qualified   |
|    | Aggregate remaining fund information                         | Unqualified |
| 2. | Internal control over financial reporting:                   |             |
|    | a. Material weaknesses identified?                           | Yes         |
|    | b. Significant deficiencies identified?                      | Yes         |
| 3. | Noncompliance material to the financial statements noted?    | Yes         |

#### ***Federal Awards:***

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | Yes           |
|    | b. Significant deficiencies identified?  | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs:  |               |
|    | Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii  | Unqualified   |
|    | Workforce Investment Act Cluster   | Unqualified   |
|    | Appalachian Area Development   | Qualified     |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____ .510(a) of OMB Circular A-133? | Yes           |
| 7. | Federal programs identified as major programs:   |               |
|    | a. Community Development Block Grants/State's Program and Non-Entitlement Grants In Hawaii                                     |               |
|    | CFDA # 14.228  |               |
|    | b. Workforce Investment Act Cluster  |               |
|    | CFDA #: 17.258, 17.259, 17.260, ARRA-17.260  |               |
|    | c. Appalachian Area Development  |               |
|    | CFDA # 23.002  |               |

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

***Federal Awards:***

- |    |  |           |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee?                                     | No        |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-01. Financial data for component units not included in financial statements.

Finding

Generally accepted accounting principles require the financial data of the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior year's audit report, the financial statements do not include the financial data of the County's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

The Board of Supervisors shall provide the audited financial data for all identified legally separate component units for inclusion in the County's financial statements.

Material Weakness

- 12-02. Liability for postemployment benefits not recorded and note disclosure for postemployment benefits not reported.

Finding

Pontotoc County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined benefit health care plan. GASB Statement 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. As reported in the prior year's audit report, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The County does not issue a publicly available financial report for its health insurance plan. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and Solid Waste Fund.

## PONTOTOC COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

#### Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

#### Board of Supervisors' Response

The Board of Supervisors will have an annual actuarial valuation so that liability for post employment benefits can be recorded and appropriate note disclosures can be made.

#### Material Weakness

##### 12-03. Internal controls over payroll should be strengthened.

#### Finding

An effective system of internal control over the County payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. As reported in the prior year's audit report, inadequate controls exist in the payroll functions:

- a. The employment and salaries of the county employees are not properly authorized in the Board of Supervisors' minutes and filed in the individual personnel files.
- b. Inconsistent treatment of voluntary cafeteria plan deductions was noted.
- c. Payroll clerk paid herself without any oversight.
- d. The County's payroll system had multiple employee identification numbers for the same employee.
- e. Retirement was not withheld for all employee identification numbers.
- f. No reconciliation of retiree payments for insurance reimbursement amounts owed was performed, nor was a reconciliation of other voluntary deductions performed.  
Audit work revealed a balance due the County of \$9,625 as of September 30, 2012, for insurance premiums that had not been reimbursed to the County at fiscal year-end. A breakdown of the balance owed the county follows:

Amount due from former payroll clerk:	\$ 239
Amount due from non-county employees:	6,550
Amount due from former Chancery Clerk:	2,687
Amount due from Election Commissioner:	149
- g. Personnel files were not kept current
- h. Deductions were withheld from employees' checks without documentation of authorization to do so.

Without proper controls, unauthorized or inaccurate payroll checks and payroll vendor checks, could be processed.

#### Recommendation

The Board of Supervisors should implement an adequate system of internal control over the County payroll function. An adequate system should include the following features:

- a. Responsibilities for the supervision and time-keeping function should be separate from personnel, payroll processing, disbursement and general ledger functions.
- b. Authorization for all payroll and employment status changes should be recorded in the Board of Supervisors' minute books.
- c. Documentation for all payroll and employment status changes should be kept in each individual personnel file.
- d. Payroll records should be maintained for accumulated and used employee benefits (vacation, medical, etc.).

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

- e. Changes to the EDP master payroll file should be documented.
- f. Personnel files should contain withholding exemption forms and insurance deduction forms.
- g. The hiring and termination of all county employees should be documented in the Board of Supervisors' minute books.
- h. Payments from retirees for insurance reimbursement should be reconciled.
- i. Balances owed the county for insurance reimbursement should be collected by the county.

Board of Supervisors' Response

The Board of Supervisors and its payroll clerk will implement and maintain payroll functions that include features (a) – (i) above.

Material Weakness

- 12-04. Controls over fines receivable should be strengthened.

Finding

An effective system of internal controls over Justice Court and Circuit Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivable are properly aged in order to estimate the collectibility of these fines receivable and include only fines due to the County. Management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court and Circuit Court fines receivable and the aging of fines receivable at September 30, 2012. The fines receivable reports used for recording fines receivable, net for fiscal year 2012 were printed well after the fiscal year end of September 30, 2012, therefore, a determination of the accuracy of the amount booked for fines receivable could not be made. Failure to establish control procedures over aging of Justice Court and Circuit Court fines receivable and print the fines receivable reports at the close of the fiscal year could result in erroneous amounts being reported in the financial statements.

Recommendation

The Board of Supervisors should ensure that control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule to properly report the fines receivable due to the County at net realizable value in the financial statements. The fines receivable reports should be generated at the close of each fiscal year and the reports include only fines due to the County as of September 30<sup>th</sup> of each year. A copy of these reports should be maintained in order for audit.

Board of Supervisors' Response

The Board of Supervisors will meet with the Pontotoc County Circuit Clerk and Justice Court Clerk. Those clerks will be required to prepare and maintain the above records that will be available for the next audit.

Material Weakness

Material Noncompliance

- 12-05. The Board of Supervisors levied a tax for ambulance service that is not authorized by law.

Finding

Section 19-3-40(3), Miss. Code Ann. (1972), prohibits the Board of Supervisors from levying taxes other than those authorized by statute. As stated in the prior year's audit report, the Board of Supervisors levied a tax for ambulance service under Section 41-55-7, Miss. Code Ann. (1972), which is not an authority to levy, but an authority to spend money from the General Fund for ambulance services. We know of no authority for the Board of Supervisors to impose a separate tax levy for the ambulance service.

## PONTOTOC COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

#### Recommendation

In the future, the Board of Supervisors should only levy taxes that are authorized by statute. Furthermore, the Board of Supervisors should account for taxes collected under this unauthorized levy as if they were General Fund tax collections for purposes of limitation on tax increases.

#### Board of Supervisors' Response

The present Board of Supervisors levied taxes for the contractual costs of ambulance service in Pontotoc County pursuant to an ongoing contract that is over twenty years old. This Board of Supervisors shall only levy taxes as general fund taxes for said ambulance services.

#### Material Weakness

#### Material Noncompliance

- 12-06. The Board of Supervisors levied a tax for planning and development district that is not authorized by law.

#### Finding

Section 19-3-40(3), Miss. Code Ann. (1972), prohibits the Board of Supervisors from levying taxes other than those authorized by statute. As reported in the prior year's audit report, the Board of Supervisors levied a tax to advertise county resources under Section 17-3-1, Miss. Code Ann. (1972), which is an authority to spend money from the General Fund for advertising county resources. Furthermore, the taxes generated from using this tax levy were given to the planning and development district which is not advertising county resources. We know of no authority for the Board of Supervisors to impose a separate tax levy for advertising county resources.

#### Recommendation

In the future, the Board of Supervisors should only levy taxes that are authorized by statute. Furthermore, the Board of Supervisors should account for those taxes collected under this unauthorized levy as if they were General Fund tax collections for purposes of limitation on tax increases. Section 17-19-1, Miss. Code Ann. (1972), allows the Board of Supervisors to give the planning and development district money.

#### Board of Supervisors' Response

The Board of Supervisor, through the planning and development district, utilized the above funds for purposes of advertising and promoting the County to bring favorable notice of the opportunities, possibilities, and resources of Pontotoc County, especially for economic development and creation/retention of jobs for the people of Pontotoc County. Those funds were given to the planning and development district pursuant to Mississippi Code Annotated 17-19-1 for those purposes, which were done by the district.

#### Auditor's Note

The County specifically levied a separate tax that is not authorized by law.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Material Weakness

Material Noncompliance

- 12-07. The Board of Supervisors authorized payments to planning and development district past their term of office without statutory authority.

Finding

Absent specific authority, the governing authorities of the county may not bind their successors in office to commitments which take away the rights and powers conferred by law in the absence of express statutory authority. As reported in the prior year's audit report, on December 31, 2010, the Board of Supervisors approved an order to pay \$33,400 to Three Rivers Planning and Development District on an annual basis for up to seven years to be used to create and retain jobs in the county at any industrial site in the county. Therefore, the execution of the board order with a seven year annual basis is voidable and subject to being canceled by their successors in office. In FY2012 the County paid Three Rivers Planning and Development District \$40,000.

Recommendation

The Board of Supervisors should not make contracts past their term of office without specific statutory authority.

Board of Supervisors' Response

Any payments to Three Rivers Planning and Development District, Inc. beyond the then current Supervisors term of office are "voidable" by a successor board and can be cancelled. However, it is not "illegal" but a "voidable" commitment. The monies were given to the planning and development district pursuant to M. C. A. 17-19-1 for the specific purpose of creation/retention of jobs for Pontotoc County which has occurred. The County has amended its agreement with the Planning and Development District to clearly show that the commitment is voidable by a subsequent board in a new term of office.

Material Weakness

Material Noncompliance

- 12-08. The Board of Supervisors did not cite the specific levy authority from the Mississippi Code for each county levy.

Finding

Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The specific authority from the Mississippi Code should be cited for each tax levy contained in the County ad valorem tax levy. As reported in the prior year's audit report, the Board of Supervisors approved the fiscal year ended September 30, 2012 tax levy without citing the specific authority from the Mississippi Code for the following purposes: Volunteer Fire Departments and the Pontotoc County Industrial Park. A statutory authority does exist for the County to levy for each of these purposes; however, we were unable to verify the authority or the correctness of the amount levied. The omissions of legal descriptions could lead to improper or unauthorized tax levies.

Recommendation

The Board of Supervisors should cite the specific levy authority from the Mississippi Code for each County levy.

## PONTOTOC COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

#### Board of Supervisors' Response

The Board of Supervisors will cite specific tax levy authority in future budgets and annual levies, including Voluntary Fire Departments and the County Industrial Park.

#### Significant Deficiency

##### 12-09. Pontotoc County should establish and test a disaster recovery process.

#### Finding

During our review of the IS controls of Pontotoc County ("the County"), we noted the County has not established a disaster recovery process. As a result, Pontotoc County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Pontotoc County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

#### Recommendation

We recommend that Pontotoc County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Pontotoc County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

#### Board of Supervisors' Response

Pontotoc County shall work to establish a documented disaster recovery process.

## PONTOTOC COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

#### Significant Deficiency

##### 12-10. Pontotoc County should implement a formal information security policy.

###### Finding

Pontotoc County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

###### Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for Pontotoc County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Pontotoc County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by county supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

###### Board of Supervisors' Response

Pontotoc County shall work to establish an Information Technology Policy.

#### Significant Deficiency

##### 12-11. Pontotoc County needs to replace obsolete computer hardware and software.

###### Finding

Pontotoc County is running operating systems as well as applications on some of its personal computers (PCs) that might not be supported by vendors. Due to lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

###### Recommendation

We recommend that Pontotoc County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally came loaded with operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the possible large number of PCs that need replacing this could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should be begun as soon as possible.



PONTOTOC COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Board of Supervisors' Response

Pontotoc County shall purchase necessary computer equipment and software where needed as funds become available.

Chancery Clerk.

Material Weakness

12-12. Segregation of duties in Chancery Clerk's office should be strengthened.

Finding

An effective system of internal control should include the separation of duties over the accounting for the collections, recording and disbursement of cash. As reported in the prior two years' audit reports, the Chancery Clerk's office does not have an adequate separation of duties over the accounting functions. Observations showed that the two deputy clerks in the Chancery Clerk office receipt money, make deposits, enter receipts into the system, reconcile the bank statements, and prepare and print cash disbursements. The Chancery Clerk and the Board of Supervisors only review the cash disbursements made. The conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Chancery Clerk should implement effective internal control policies that allow for the proper segregation of duties for the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.

Chancery Clerk's Response

I agree with this finding, and will implement effective internal control policies that allow for the proper segregation of duties for the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.

Material Weakness

12-13. Internal controls over accounting procedures should be strengthened.

Finding

An effective system of internal control over the accounting procedures of the county should include timely bank reconciliations and bank deposits, and general journal entries being approved and supported by adequate documentation. We noted the following during audit test work:

- a. Bank reconciliations were not prepared at September 30, 2012. Reconciliations were prepared by the CPA when compiling the financial statements.
- b. Some general journal entries were not supported or approved.
- c. A receipt for \$3,316,418 was held for a week before being deposited into the county depository.

The failure to reconcile bank accounts and make deposits in a timely manner and to approve general journal entries could result in the loss of public funds.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Recommendation

The Chancery Clerk should implement procedures to ensure bank accounts are reconciled and receipts are deposited in a timely manner, and general journal entries are approved and supported by adequate documentation.

Chancery Clerk's Response

I agree with this finding, and will implement procedures to ensure bank accounts are reconciled and receipts are deposited in a timely manner, and general journal entries are approved and supported.

Material Weakness

12-14. Internal controls over land redemption collections and settlements should be strengthened.

Finding

An effective system of internal controls over land redemption collections and settlements should include the timely deposit of collections, monthly settlements of all collections that detail releases included in the settlement and reconciling land redemption cash balance to bank statement. During our audit of land redemption, we noted the following deficiencies:

- a. A cash count performed on October 30, 2013 revealed a cash shortage in land redemption funds.
- b. Reconciliations of land redemption account bank statements had not been done since August 2012.
- c. A significant number of land redemption receipts could not be traced to a deposit.
- d. Monthly settlements were not being reconciled to receipts.

Failure to implement adequate controls over land redemption collections and settlements could lead to a loss of public funds.

Recommendation

The Chancery Clerk should ensure that controls are in place over land redemption collections and settlements in order to maintain accountability and safeguard these funds.

Chancery Clerk's Response

I agree with this finding, and will ensure that controls are in place over land redemption collections and settlements in order to maintain accountability and safeguard these funds.

Auditor's Note

This matter has been referred to the Investigative Division of the Office of the State Auditor.

Material Weakness

12-15. Internal controls over payment of claims should be strengthened.

Finding

An effective system of internal control over payment of claims should include verifying that invoice quantities and amounts are in agreement with purchase requisition, purchase order and receiving report amounts and that the Board of Supervisors has approved claim for payment.

## PONTOTOC COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

We noted that:

- a. A claim was overpaid by \$11,000 in November 2011. The vendor noted additional overpayments on the County's account and refunded the overpayments in December 2011.
- b. A claim was paid that was \$2,400 more than the amount included in quote. Purchase Clerk included additional amount on purchase order.
- c. A claim was overpaid by \$500 in June 2012.
- d. A claim was paid that included an amount that was already paid in a prior month; the total overpayment was \$1,898.
- e. A claim was paid for a hydraulic thumb, \$7,200 by check, and by financing; therefore, the asset was paid for twice. The vendor did refund the amount paid by check in 2014.

Failure to implement adequate controls over claims payments could lead to the County paying for items not received by the County or not approved by the Board of Supervisors.

#### Recommendation

The Chancery Clerk should ensure that claims paid are matched to vendor invoices and/or Board approval to ensure the correct amount is being paid.

#### Chancery Clerk's Response

I agree with this finding, and will ensure that claims paid are matched to vendor invoices and/or board approved to ensure the correct amount is being paid.

Inventory Control Clerk.

Material Weakness

#### 12-16. Internal controls over capital assets should be strengthened.

#### Finding

An effective system of internal controls over capital assets should include marking all assets as property of the county, reconciling capital asset amounts added to inventory to invoices to ensure proper accounting, and obtaining Board of Supervisors' approval for all capital asset purchases. During audit test work, the following deficiencies were noted:

- a. The county purchased a hydraulic thumb for \$7,200 without approval and documentation of this approval in the Board of Supervisors' minutes.
- b. District 2 sold its half interest in a truck and pothole patcher to District 3, but the assets were not shown as transferred to District 3 on the inventory report.
- c. The addition of a constructed building at the Sportsplex location was not added to county inventory.
- d. The county began using a new inventory system for fiscal year 2013. In the process of converting to the new system, the old inventory system, used for fiscal year 2012, was not updated with all additions purchased during fiscal year 2012.

A lack of internal controls over capital assets could result in the loss or misuse of these assets.

#### Recommendation

The Inventory Control Clerk should ensure that adequate internal controls are put in place over capital assets to ensure that all County assets are accounted for properly in the inventory records. All purchases should be approved before being added to inventory.

## PONTOTOC COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

#### Inventory Control Clerk's Response

I agree with this finding, and will ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly in the inventory records. All purchases shall be approved before being added to inventory.

Justice Court Clerk.

#### Material Weakness

#### 12-17. Segregation of duties in Justice Court Clerk's office should be strengthened.

##### Finding

An effective system of internal controls should include an adequate separation of duties, maintenance and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. As reported in the prior year's audit report, controls were inadequate over cash. The cash collection and disbursement functions in the Justice Court Office were not adequately separated for effective internal control. The following deficiencies were noted:

- a. The Deputy Justice Court Clerk collects cash and issues receipts; prepares daily check-up sheets, deposits and makes monthly settlements, takes deposits to the bank; posts the cash journal; reconciles banks statements; and writes checks for all disbursements.
- b. The Justice Court Clerk's Office does not have locked cash drawers or a locked safe to safeguard cash collections during the day and overnight.
- c. The Justice Court Clerk did not make deposits every day.
- d. The Justice Court Clerk did not prepare daily check-up sheets every day. Daily check-up sheets are printed off when deposits are made, which is sometimes for several day's collections.

Failure to implement adequate controls over collections, recording and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

##### Recommendation

The Justice Court Clerk should take steps to ensure that there is an adequate separation of duties in the collection, recording, and disbursement functions of the Justice Court Clerk's Office or that there is external oversight over the operations of the Justice Court Clerk's Office. She should also ensure that records documenting daily collections are properly maintained and reconciled to the daily deposits and that controls are in place to properly safeguard cash collections.

##### Justice Court Clerk's Response

We are now bringing all un-deposited money to Chancery Court on or about 5:00 p.m. We have a check in/check out sheet for each day.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

Material Weakness

Material Noncompliance

- 12-18. Controls should be strengthened to minimize the time elapsing from the receipt of federal funds and their disbursement.

Finding

Program:           Appalachian Area Development; CFDA #23.002  
                      TV-85102V, FY2012  
                      Appalachian Regional Commission  
                      Passed-through Tennessee Valley Authority

Compliance Requirement: Cash Management

The Tennessee Value Authority Appalachian Regional Commission – Funded Project agreement requires the County to submit a certified, proper invoice to TVA for its direct costs incurred. OMB Circular A-133 Compliance Supplement requires the time elapsing from the receipt of federal funds to their disbursement to be minimized. Audit procedures revealed two instances in which federal funds were not disbursed timely. One instance was approximately three months and the other was 20 days. The failure to disburse federal funds timely could result in loss of grant funding.

Recommendation

The Board of Supervisors should implement procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

Board of Supervisors' Response

The Board of Supervisors will implement and monitor procedures to minimize the elapse of time between the receipt of federal funds and disbursement.

Material Weakness

Material Noncompliance

- 12-19. Controls over monitoring wages paid according to the Davis-Bacon Act should be strengthened.

Finding

Program:           Appalachian Area Development; CFDA #23.002  
                      TV-85102V, FY2012  
                      Appalachian Regional Commission  
                      Passed-through Tennessee Valley Authority

Compliance Requirement: Davis-Bacon Act

The Tennessee Valley Authority Appalachian Regional Commission-Funded Project agreement requires compliance with the Davis-Bacon Act. During audit procedures it was noted that there were no formal procedures in place to directly monitor compliance with Davis-Bacon Act requirements and it was noted that three employees were not paid according to applicable wage scales. Failure to monitor wage scales resulted in the underpayment of wages to employees.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Recommendation

The Board of Supervisors should establish policies and procedures to ensure that appropriate compliance monitoring measures are in place with respect to Davis-Bacon Act wage requirements.

Board of Supervisors' Response

The above underpayment was a result of miscommunication between the project engineer and county personnel. Subsequent to its discovery, there were three underpaid individuals identified who were subsequently paid in full. Compliance measures are now in place to ensure appropriate compliance with the Davis-Bacon Act for any future projects.

Material Weakness

Material Noncompliance

- 12-20. Controls should be strengthened to ensure request for reimbursement are accurate.

Finding

Program:           Appalachian Area Development; CFDA #23.002  
TV-85102V, FY2012  
Appalachian Regional Commission  
Passed-through Tennessee Valley Authority

Compliance Requirement: Reporting

The Tennessee Valley Authority Appalachian Regional Commission - Funded Project Agreement requires the County to submit a certified, proper invoice to TVA for its direct costs incurred. Requests submitted for federal reimbursement should be complete, accurate and appropriately supported. During audit test work, the following instances were noted that the submitted invoices/request for reimbursement were not accurate:

1. An invoice was reduced upon payment to the vendor however the amount of the request for reimbursement was not reduced.
2. The amount entered on the request for reimbursement was incorrectly reduced by the 5% to be withheld by the grant administrator.
3. One invoice was not included in request for reimbursement.

The failure to complete request for reimbursement properly could result in the receipt of excess federal funds.

Recommendation

The Board of Supervisors should implement procedures to ensure request for reimbursement are complete, accurate and appropriately supported.

Board of Supervisors' Response

The Board of Supervisors has and will implement procedures to ensure requests for reimbursement are timely, complete and accurate, and supported by documentation.

PONTOTOC COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

PONTOTOC COUNTY

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Gary Moorman  
Pontotoc County Chancery Clerk

Board of Supervisors

Wayne Stokes, President  
District One

Wayne Tutor  
District Two

Duane Tutor  
District Three

Board of Supervisors

Ernie Wright  
District Four

Dennis Corder, Vice President  
District Five

## **CORRECTIVE ACTION PLAN**

Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Gentlemen:

Pontotoc County respectfully submits the following corrective action plan for the year ended September 30, 2012.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

### **SECTION 2: FINANCIAL STATEMENT FINDINGS**

#### **12-01 Corrective Action Planned:**

The Board of Supervisors shall provide the audited financial data for all identified legally separate component units for inclusion in the County's financial statements.

Anticipated Completion Date: January 15, 2015

Name of Contact Person Responsible for Corrective Action:

Gary Moorman, Chancery Clerk & County Administrator

P. O. Box 209 - Pontotoc, MS 38863 - 662-489-3900

**12-02 Corrective Action Planned:**

The Board of Supervisors will have an annual actuarial valuation so that liability for post-employment benefits can be recorded and appropriate note disclosures can be made.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-03 Corrective Action Planned:**

The Board of Supervisors and its payroll clerk will implement and maintain payroll functions that include:

- a. Responsibilities for the supervision and time-keeping function will be separate from personnel, payroll processing, disbursement and general ledger functions.
- b. Authorization for all payroll and employment status changes will be recorded in the Board of Supervisors' minute books.
- c. Documentation for all payroll and employment status changes will be kept in each individual personnel file.
- d. Payroll records will be maintained for accumulated and used employee benefits (vacation, medical, etc.).
- e. Changes to the EDP master payroll file will be documented.
- f. Personnel files will contain withholding exemption forms and insurance deduction forms.
- g. The hiring and termination of all county employees will be documented in the Board of Supervisors' minute books.
- h. Payments from retirees for insurance reimbursement will be reconciled.
- i. Balances owed the county for insurance reimbursement will be collected by the county.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-04 Corrective Action Planned:**

The Board of Supervisors will meet with the Pontotoc County Circuit Clerk and Justice Court Clerk. Those clerks will be required to prepare and maintain the above records that will be available for the next audit.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-05 Corrective Action Planned:**

The present Board of Supervisors levied taxes for the contractual costs of ambulance service in Pontotoc County pursuant to an ongoing contract that is over twenty years old. This Board of Supervisors shall only levy taxes as general fund taxes for said ambulance services.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-06 Corrective Action Planned:**

The Board of Supervisor, through the planning and development district, utilized the above funds for purposes of advertising and promoting the County to bring favorable notice of the opportunities, possibilities, and resources of Pontotoc County, especially for economic development and creation/retention of jobs for the people of Pontotoc County. Those funds were given to the planning and development district pursuant to Mississippi Code Annotated 17-19-1 for those purposes, which were done by the district.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-07 Corrective Action Planned:**

Any payments to Three Rivers Planning and Development District, Inc. beyond the then current Supervisors term of office are “voidable” by a successor board and can be cancelled. However, it is not “illegal” but a “voidable” commitment. The monies were given to the planning and development district pursuant to M. C. A. 17-19-1 for the specific purpose of creation/retention of jobs for Pontotoc County which has occurred. The County has amended its agreement with the Planning and Development District to clearly show that the commitment is voidable by a subsequent board in a new term of office.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-08 Corrective Action Planned:**

The Board of Supervisors will cite specific tax levy authority in future budgets and annual levies, including Voluntary Fire Departments and the County Industrial Park.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-09 Corrective Action Planned:**

Pontotoc County shall work to establish a documented disaster recovery process.

**Anticipated Completion Date:** January 15, 2015

**Name of Contact Person Responsible for Corrective Action:**

Gary Moorman, Chancery Clerk & County Administrator

**12-10 Corrective Action Planned:**

**Pontotoc County shall work to establish an Information Technology Policy.**

**Anticipated Completion Date: January 15, 2015**

**Name of Contact Person Responsible for Corrective Action:**

**Gary Moorman, Chancery Clerk & County Administrator**

**12-11 Corrective Action Planned:**

**Pontotoc County shall purchase necessary computer equipment and software where needed as funds become available.**

**Anticipated Completion Date: January 15, 2015**

**Name of Contact Person Responsible for Corrective Action:**

**Gary Moorman, Chancery Clerk & County Administrator**

**12-12 Corrective Action Planned:**

**I agree with this finding, and will implement effective internal control policies that allow for the proper segregation of duties for the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.**

**Anticipated Completion Date: January 15, 2015**

**Name of Contact Person Responsible for Corrective Action:**

**Gary Moorman, Chancery Clerk & County Administrator**

**12-13 Corrective Action Planned:**

**I agree with this finding, and will implement procedures to ensure bank accounts are reconciled and receipts are deposited in a timely manner, and general journal entries are approved and supported.**

**Anticipated Completion Date: January 15, 2015**

**Name of Contact Person Responsible for Corrective Action:**

**Gary Moorman, Chancery Clerk & County Administrator**

**12-14 Corrective Action Planned:**

**I agree with this finding, and will ensure that controls are in place over land redemption collections and settlements in order to maintain accountability and safeguard these funds.**

**Anticipated Completion Date: January 15, 2015**

**Name of Contact Person Responsible for Corrective Action:**

**Gary Moorman, Chancery Clerk & County Administrator**

**12-15 Corrective Action Planned:**

**I agree with this finding, and will ensure that claims paid are matched to vendor invoices and/or board approved to ensure the correct amount is being paid.**

**Anticipated Completion Date: January 15, 2015**

**Name of Contact Person Responsible for Corrective Action:**

**Gary Moorman, Chancery Clerk & County Administrator**

**12-16 Corrective Action Planned:**

**I agree with this finding, and will ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly in the inventory records. All purchases shall be approved before being added to inventory.**

**Anticipated Completion Date: January 15, 2015**

**Name of Contact Person Responsible for Corrective Action:**

**Gary Moorman, Chancery Clerk & County Administrator**

**12-17 Corrective Action Planned:**

We are now bringing all un-deposited money to Chancery Court on or about 5:00 p.m.  
We have a check in/check out sheet for each day.

Anticipated Completion Date: January 15, 2015

Name of Contact Person Responsible for Corrective Action:

Gary Moorman, Chancery Clerk & County Administrator

**Section 3: Federal Award Findings and Questioned Costs**

**12-18 Corrective Action Planned:**

The Board of Supervisors will implement and monitor procedures to minimize the elapse of time between the receipt of federal funds and disbursement.

Anticipated Completion Date: January 15, 2015

Name of Contact Person Responsible for Corrective Action:

Gary Moorman, Chancery Clerk & County Administrator

**12-19 Corrective Action Planned:**

The above underpayment was a result of miscommunication between the project engineer and county personnel. Subsequent to its discovery, there were three underpaid individuals identified who were subsequently paid in full. Compliance measures are now in place to ensure appropriate compliance with the Davis-Bacon Act for any future projects.

Anticipated Completion Date: January 15, 2015

Name of Contact Person Responsible for Corrective Action:

Gary Moorman, Chancery Clerk & County Administrator

12-20 Corrective Action Planned:

The Board of Supervisors has and will implement procedures to ensure requests for reimbursement are timely, complete and accurate, and supported by documentation.

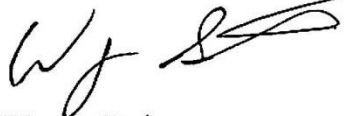
Anticipated Completion Date: January 15, 2015

Name of Contact Person Responsible for Corrective Action:

Gary Moorman, Chancery Clerk & County Administrator

Sincerely,

PONTOTOC COUNTY, MISSISSIPPI

A handwritten signature in black ink, appearing to read 'Wayne Stokes', with a stylized flourish extending from the end.

Wayne Stokes  
President, Board of Supervisors  
662-489-3900